

**Parent Company accounts for Switch Media Limited**

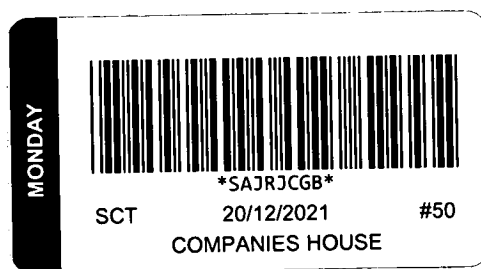
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**Note 2 – page 63**

**IOMART GROUP PLC**

**SC204560**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2021**



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# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

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# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

Reece Donovan MSc, BSc  
Scott Cunningham BAcc, CA  
Ian Steele BAcc, CA  
Angus MacSween  
Richard Masters LLB, DipLP  
Karyn Lamont BAcc, CA

Chief Executive Officer  
Chief Financial Officer  
Non-Executive Chairman  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

#### **Secretary**

Andrew McDonald BA, CA

#### **Registered office**

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#### **Nominated adviser and joint broker**

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London EC2M 2AT

#### **Joint broker**

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London EC2V 7QP

#### **Principal Bankers**

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#### **Solicitors**

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Glasgow G2 7EQ

#### **Independent auditor**

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Glasgow G1 3BX

#### **Registrars**

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Beckenham  
Kent BR3 4TU

#### **Company Registration Number**

SC204560

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT - CHAIRMAN'S STATEMENT

I am pleased to report that iomart (the "Group") has performed resiliently during a year over-shadowed by the impact of the Covid-19 pandemic. Our financial performance was stable throughout the year and we remain strongly profitable and cash generative.

In October 2020, following 20 years at the helm of iomart, building a £100m turnover business, with industry leading margins and a growing reputation in the private cloud market, the Group's founder, Angus MacSween retired as CEO to take up a Non-Executive Director position. Angus was succeeded by Reece Donovan. Over the last six months Reece has led a detailed review of our medium to long-term strategy, the output of which was presented at a Capital Markets Day on 5 May 2021. The Capital Markets Day centred around the concept of 'one iomart' and the expansion of our offering. Sector expectation is that all areas of the cloud will undoubtedly grow and that hybrid and public cloud will grow most noticeably. Our resources, including our infrastructure and in house skills, enables us to grow into the hybrid and public spaces more easily than most, all the while continuing our ongoing eminence in the private cloud. We are upscaling the business, we remain acquisitive and we remain ambitious.

I would like to thank the iomart team for their hard work and commitment during this year. One of the strengths of the Group is the quality of its fantastic workforce, investing in them and their further development and support is one of the central tenets of the refreshed strategy. The strategy also sees an increased focus on the environment and our impact on the societies around us, as detailed later in this report.

During the year we paid an interim dividend of 2.60p per share which was paid to shareholders in January 2021. In addition, after updating our dividend policy, the Board is now proposing to pay a final dividend of 4.50p per share. With this final dividend payment, the total for the year will be 7.10p representing a 9% increase on the prior year. We believe this is appropriate given our funding position, robust business model, the low level of indebtedness within the Group and the fact we have not utilised any of the government furlough schemes.

The Board is satisfied with the balance between Executive and independent Non-Executive Directors which operated throughout the year. Further to the announcement made last September, it is now expected that Angus MacSween will extend his Non-Executive involvement beyond the initial expected 12 months from 1 October 2020, given the value he continues to add to the Board. In addition, the Board is seeking to appoint a fourth independent Non-Executive Director to add additional sector skills to support our execution of the refreshed medium term strategic plan.

The progress we have already seen in the delivery of the new strategy and the continued solid financial performance gives me and the Board confidence in a bright future for iomart.



**Ian Steele**  
*Non-Executive Chairman*  
15 June 2021

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

#### Introduction

I am delighted to be presenting the first set of full year financial results as the Group's new CEO, having joined as COO during lockdown in March 2020, before taking over from founder and long-standing CEO Angus MacSween on 1 October 2020. As I outlined in the half year report, during the year the Board requested a detailed review of our medium to long-term strategy. We performed an extensive exercise involving detailed analysis of both internal and external factors with contribution from a wide variety of stakeholders. The output was presented at a Capital Markets Day on 5 May 2021. We have identified a clear strategic vision, which is outlined below, and the iomart team are now very much focused on the execution of this plan as we enter our new financial year.

#### Impact of Covid-19

The year covered by this report coincided almost to the day with the onset of the pandemic in the UK. We can look back with pride on what has been achieved during this unprecedented time for all of our employees and wider stakeholders. Our focus during the year was on the protection of our people and the business and our team responded with commitment, resilience, and dedication. I would like to take this opportunity once again to thank them for their efforts and support.

The strength of our model can be seen in our resilience in the face of the Covid-19 pandemic, particularly the limited concentration of our customer base. We are not significantly exposed to industries that have suffered the worst. We did provide some financial support, in the form of extended credit, to a small number of customers during the lockdown period but have seen no change to what is a low level of bad debts during this year. However, we remain vigilant to the economic impact the ongoing situation may create, particularly on the SME segment of the market as government support schemes expire.

We did not apply for any support from the government's furlough scheme or funding loans. We continued to pay the salaries of the small number of the team whose roles were not required at various times, while encouraging them to offer their time to support their communities.

#### Resilient financial performance

iomart's robust business model has led to a solid financial performance across the year. Revenue for the full year was resilient at £111.9m (2020: £112.6m) with an improving mix of recurring revenue to 90% (2020: 85%). The Group's adjusted EBITDA<sup>1</sup> reduced by 4.8% to £41.4m (2020: £43.5m) reflecting the underlying mix of the business activity in the year. This performance still translates to a market leading adjusted EBITDA margin of 37.0% (2020: 38.6%) which importantly, as in the past, has converted to strong operating cash flow. The asset base inherited with the prior year acquisitions drove an increase of £1.3m in the depreciation charge in the year, which along with a stable level of intangible asset amortisation and finance costs takes the Group's adjusted profit before tax<sup>2</sup> to £19.6m (2020: £22.8m) for the year, representing an adjusted profit before tax margin of 17.5% (2020: 20.2%). These financial metrics, along with the strength of our balance sheet, puts us in a strong position from which to push forward with the execution of the updated strategy over the coming months and years.

#### Strong foundation for the next stage of growth

iomart benefits from multiple strengths in its model, offering and business make up. We have over 10,000 customers in our core cloud services segment, providing breadth and resilience and an opportunity for future expansion as we grow our offering. We have 13 data centres located across the UK, united by over 2000kms of private network infrastructure, offering outstanding resilience and connectivity for our customers, with over 25 points of presence globally, meaning we can deliver the services our customers need, whether inside the UK or out. We are financially robust, with high levels of recurring revenue and strong levels of cash generation, and importantly, as we embark on our new strategy, we do so with over 20 years' experience in our industry, having completed over 21 successful acquisitions.

#### Market and Strategy

The structural growth drivers for cloud computing solutions have remained consistent for a long period. This includes the greater demand to outsource, increasing complexity of IT requirements, more workloads being hosted in the cloud and ever growing demand for data and content. The current situation around Covid-19 have seen the acceleration in the adoption of digital transformation and remote working, both of which are likely to further enhance long-term drivers to the cloud.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER’S REPORT

#### Market and Strategy (continued)

As part of the strategic review process, we engaged consultants to provide insight into the market and our relative position. Their work reaffirmed that we are in a positive, growing market with lots of opportunity, but we do need to improve iomart’s alignment to this future market and to ensure we are recognised as experts across a number of both existing and new service areas. This formed the backdrop to the review of our medium to long-term strategy.

#### Our strategic plans

The Capital Markets Day on 5 May 2021 provided insight into the markets we operate in, our starting position today and our future strategic plans. The presentation material, including a video recording, is available on our website at [www.iomart.com](http://www.iomart.com). This presentation concluded with an aspiration to become a £200m revenue business within 5 years, and be recognised as a leading secure hybrid cloud business. To achieve this, three specific items were highlighted as important enablers:

- *Connect* – connecting with our customers and employees, connecting employees with their businesses, connecting parts of their businesses to each other, connecting businesses to data centres, and providing tools to enable collaboration facilitated by the digital workplace. Hybrid working is here to stay and connectivity is the glue to make this successful;
- *Secure* – keeping applications, data and business operations safe, allowing people to connect to their businesses safely, preventing cyber-attacks wherever possible, and providing the support when a recovery is needed; and
- *Scale* – allowing businesses to scale their infrastructure and capabilities, when and where they need to, helping provide cost certainty, and access to the right tools at the right time. We need to ensure that iomart has the right foundations on which to scale to meet this demand, and taking a long-term skills development approach.

Our strategic value creation roadmap will focus on three main activities:

- New services and geographies - we will focus on four new service areas – hybrid cloud, security, the future digital workplace and connectivity;
- Complementary acquisitions - to expand the customer base and to acquire new skillsets; and
- Protect and expand the existing base of run rate revenue and EBITDA.

In order to make all of this a success, we are shifting our values and culture to put our people and customers at the heart of all that we do. We will have a strong focus on delivering results, being ambitious and embedding learning in the way in which we work. We will also increase the way in which we care for our people, society and the environment. We have highly experienced staff with a broad range of technical knowledge and skills, and they will be a key area of investment over the coming years, broadening and deepening the available skill sets for the benefit of our customers.

From a structural perspective, our existing suite of underlying tooling, previously only deployed in a somewhat siloed manner, will be harnessed across the business to deliver the future product and service portfolio and deliver competitive advantages. We are also introducing a service team to work across the business and put the customer experience at the heart of everything we do.

Our customers are looking for a straightforward, trusted and expert partner to support their digital business needs and enable their long term success. iomart operates its own data centre estate and secure fibre network across the UK, with an additional 25 points of presence globally. These assets provide our customers with a single source of accountability, with full end-to-end control and knowledge of the quality of the underlying components, to deliver a secure and reliable 24/7 service. Our people provide expertise and build relationships with customers to understand both current and future requirements. We have partnerships with multiple vendors and extensive technical knowledge ensuring we can design agile solutions that deliver value for money and cost certainty, while ensuring full data sovereignty. It is this intricate blend of our straightforward brand approach, owned assets, people and relationships focus, and agile solution model, along with our extensive customer base and more than 20 years’ experience, that gives us our competitive advantage and allows us to differentiate ourselves in the market.

Through these initiatives, and the reduction in the number of brands within the group, we will create a single refreshed ‘one iomart’ organisation over the next 12 to 24 months.

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

#### Operational Review

While all of our activities involve the provision of services from common infrastructure, we are organised into two operating segments, Cloud Services (£99.9m revenue) and Easyspace (£11.9m revenue).

Cloud Services is our core area of strategic focus, containing three offerings to which we can disaggregate revenue: iomart cloud managed services, self-managed infrastructure and non-recurring revenue. Easyspace is a highly profitable and cash generative segment, but is less of a focus area for growth.

#### Cloud Services

Revenues in this segment have grown by £0.1m to £99.9m (2020: £99.8m) benefitting from the acquisitions made in the prior year. Organic Cloud Services revenue declined by 6%, or £6.0m, due to a £5.5m reduction in non-recurring revenue, with higher reductions in on-premise project revenues, due to the impact of Covid-19 on corporate spend, being partially offset by completion of a £1m consultancy project for a local government customer, supporting deployment of modern workplace technology. There was continued organic growth in our core cloud managed services area, however this was offset by a £2.3m reduction in self-managed infrastructure revenues from smaller legacy customers resulting in an overall £0.5m net reduction in recurring revenue. Cloud Services adjusted EBITDA (before share based payments, acquisition costs and central group overheads) was £40.5m being 40.5% of revenue (2020: £42.3m, 42.4% of revenue).

Within our Cloud Services division, we have three core offerings, recognising the differing complexity of the solutions designed and the level of ongoing managed services we provide. This means we are able to supply products and services across the full cloud spectrum and to do so using shared resources and common platforms across the Group. For the first time we have provided additional disaggregated revenue values for each of these offerings:

- iomart cloud managed services (£57.9m revenue): provides fully managed, complex bespoke designs, resulting in resilient solutions involving various infrastructures. This has a wide range of offering across the full cloud spectrum from simpler colocation data centre services to a full 24/7 managed service complemented by all of our offering around back-up and disaster recovery. The provision of a full managed service to our customers is the strategic focus for the Group as discussed earlier, with the strongest market outlook and gives a great opportunity for us to accelerate growth by supporting customers now and into the future on their cloud journey. Currently, private cloud dominates the installed customer solutions but as part of our strategic review, we intend to expand further into specific hybrid solutions, encompassing the public cloud.
- Self-managed infrastructure (£30.3m revenue): delivers dedicated, physical, self-service servers to customers. We provide many thousands of physical servers for our customers using highly automated systems and processes which we continue to develop and improve. Over the last few years we have been a consolidator of the UK market within this area, via our M&A activity, including our most recent acquisition of Memset in the prior year. In line with our 'one iomart' objective, ensuring minimum disruption to the customer experience, we continue to consolidate legacy brands within this offering.
- Non-recurring revenue (£11.7m revenue): this represents point in time type revenue in the form of hardware/software reselling and also consultancy projects. Cristie Data which we acquired in 2017 makes up the bulk of the non-recurring hardware revenue activity.

#### Easyspace

The Easyspace segment which provides a range of products to the micro and SME markets including domain names, shared, dedicated and virtual servers and email services, saw a reduction in revenue in the year to £11.9m (2020: £12.8m). To grow Easyspace significantly would mean competing in a more commoditised market with the need for a high marketing budget. As a result, our target for Easyspace is to retain our existing presence in the UK market via selective marketing and responding to market conditions with dynamic pricing. As in the past, Easyspace delivered strong profitability with an adjusted EBITDA (before share-based payments, acquisition costs and central group overheads) of £5.3m, 44.8% of revenue (2020: £5.6m, 44.2% of revenue). The business benefits from use of the Group infrastructure meaning this profitability translates to strong cash flow for the Group.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

#### Infrastructure investment

We believe controlling our own infrastructure is important to delivering high quality, secure and robust solutions to customers. In June 2020, we extended our London data centre property lease from June 2030 to June 2035. Following this, we commenced the upgrade to the main cooling system which was well progressed at the year end with completion expected in July 2021, with an upgrade of the electrical systems expected to commence thereafter. These data centre projects improve resilience but also reduce the environmental impact of our operations. During the year we approved the investment of nearly £2m in next generation core routing technology, which will provide 100GB capacity on our network with the ability to scale to 400GB. As a result, customers will benefit from faster, even more reliable connections to support their data and applications.

#### Commitment to ESG and sustainability

As part of our environmental, social and governance (“ESG”) and wider sustainability programme, in the current year, the Board approved the commitment to purchase Renewable Energy Guarantees of Origin (“REGO”) certified renewable electricity across our UK data centre estate. This will be effective from July 2021 and remain in place until the expiry of our current electricity contract in September 2022. During the year we also started working with Katrick Technology Limited, a start-up company based in Glasgow focused on innovative engineering technologies who have developed patented means to capture unharnessed energy within a data centre. We are pleased to say we signed an alliance agreement in June 2021 and will begin an exploratory project with them at our Glasgow data centre later this year.

#### One iomart

While the updated strategy will be fully launched in FY22, we undertook early steps in FY21 towards the ‘one iomart’ concept and to accelerate the greater level of integration of the group. Immediate steps within this area involves collapsing some of the legacy brands into the iomart brand and merging our teams to ensure the customer journey is consistent. This process has commenced and towards the end of the year we retired the SystemsUp consultancy brand and simplified our internal organisation to merge previously separate teams within Cloud Services, IaaS and consulting. The recent appointment of a Chief Marketing Officer and Chief Operating Officer are also important steps to ensure we have the correct structure to position the Group for success.

#### Implementing the strategic roadmap in FY22

We committed to completing the strategic review by the end of FY21, which was achieved. We are now focused on execution and have started a number of new initiatives:

- *Hybrid preparation:* the new hybrid cloud solution framework, product and partner selections, public cloud portfolio definitions and market reviews have now started and will be completed around the mid year point of FY22. Following this, we will begin to setup and implement the new services;
- *Security maturation:* while we continue to provide and mature our new security services, a full review of our expansion opportunities is underway. We plan to extend our security services during FY22;
- *Connectivity:* building on our existing assets and partnerships, we will be releasing an updated connectivity portfolio in the early part of FY22 in support of hybrid working requirements;
- *Future digital workplace:* we are now entering the Unified Communications market and the support for customers future digital workplace roll out has started with the formalisation of arrangements with our partner of choice, Gamma Communications now put in place. We will be building our expertise and targeting customers early in FY22;
- *Sales, operational and organisational improvements:* sales and operational improvements are underway, which is an ongoing, long-term initiative. The appointment of a new COO to oversee all operational activities across the majority of brands will serve to provide customers with a more consistent and reliable customer experience, irrespective of the services being consumed. This is vital to have in place as we scale the business;
- *Brand development:* in parallel with the new strategy development, we have been redesigning the iomart brand so it is more contemporary, closely aligned to what we want to achieve, and supportive of our new values and culture. We intend to release the updated brand details mid-way through FY22;
- *M&A:* M&A is a core of part of our strategy, and potential targets are being compiled with the view of acquiring additional assets and skills during FY22; and
- *ESG:* we will continue to put the environment and people high up on the Group’s agenda, developing a more robust and long-term ESG strategy covering both areas. We have been involved in a number of charitable events, and we plan to continue and expand on these in the future.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

#### Current trading and outlook

The start of the new financial year has seen financial results in line with our expectations, consistent with our high recurring revenue business model which gives good visibility.

While we begin the new financial year with a similar level of cloud managed services recurring revenue as 12 months ago, we do so from a stronger position due to the success of the UK vaccination programme, the resulting growing confidence across the UK business landscape and from the positive changes we have put in place through the year. We have verified that the market we operate in is growing and customers are looking for a partner who can provide a full breadth of service offering across the hybrid cloud.

We anticipate our sales pipeline will result in a stronger level of new customer wins as we move through the year as budgets for digital transformation programmes start to release. We will execute on the strategic improvement initiatives around our value proposition, branding and new service offerings, with a positive impact on revenue expected in the second half of the year and beyond, in line with expectations.

We have proven the robustness of our business, underpinned by high levels of recurring revenues, breadth of customer base and strong cash generation. This is now enhanced with a clear strategic vision and roadmap to re-position the Group for growth, both organically and through selective acquisitions, and the Board is increasingly confident in the positive outlook for the long-term prospects for the Group.



**Reece Donovan**  
*Chief Executive Officer*  
15 June 2021

#### Definition of alternative performance measures:

<sup>1</sup> Throughout these financial statements adjusted EBITDA (disclosed in the consolidated statement of comprehensive income) is earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and gain on the revaluation of contingent consideration. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

<sup>2</sup> Throughout these financial statements adjusted profit before tax (disclosed on page 11) is profit before tax, amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs and gain on revaluation of contingent consideration.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Financial Review

##### Key Performance Indicators

	2021	2020
Revenue	£111.9m	£112.6m
% of recurring revenue <sup>1</sup>	90%	85%
Gross Profit % <sup>2</sup>	60.5%	60.8%
Adjusted EBITDA <sup>3</sup>	£41.4m	£43.5m
Adjusted EBITDA margin % <sup>4</sup>	37.0%	38.6%
Adjusted profit before tax <sup>5</sup>	£19.6m	£22.8m
Adjusted profit before tax margin % <sup>6</sup>	17.5%	20.2%
Profit before tax	£12.5m	£16.8m
Profit before tax margin % <sup>7</sup>	11.1%	14.9%
Basic earnings per share	9.3p	12.5p
Adjusted earnings per share (diluted) <sup>8</sup>	14.4p	16.3p
Cash flow from operations / Adjusted EBITDA % <sup>9</sup>	106%	95%
Net debt / Adjusted EBITDA leverage ratio <sup>10</sup>	1.3	1.3

See page 14 for definition of alternative performance measures

#### Revenue

Total revenue for the year is consistent with the prior year at £111.9m (2020: £112.6m), with growth from the acquisitions made in the prior year offset by, to the largest extent, a reduction in non-recurring revenue as a result of the impact of Covid-19 on customers, plus a £0.9m reduction within Easyspace, our domain name and mass hosting business, in line with our expectations.

#### Cloud Services

Overall, our Cloud Services segment grew revenues by £0.1m. For the first time, we have provided some additional disaggregation of revenue which is relevant for the Cloud Services segment. The following is the disaggregation of the Cloud Services revenue of £99.9m (2020: £99.8m):

	2021 £'000	2020 £'000
<b>Disaggregation of Cloud Services revenue</b>		
Cloud managed services	57,961	54,590
Self-managed infrastructure	30,311	28,009
Non-recurring revenue	11,672	17,190
	<b>99,944</b>	<b>99,789</b>

#### Cloud managed services

Cloud managed services is the area we have focused our development and commercial efforts on and where we have consistently achieved organic growth. Growth was achieved both organically (£1.8m) and through the acquisition of ServerChoice on the 28 February 2020. The strongest element of new orders in the year was from our existing customer base as they required increased capacity or additional services, with a lower contribution from new client wins. We believe the growth would have been higher if Covid-19 had not delayed the larger digital transformation projects which is often the catalyst for attracting new customers to iomart. We experienced higher than normal levels of non-renewals in the final months of the year, which while not significantly impacting recognised revenue in 2021, has resulted in an opening recurring revenue level within cloud managed services going into the new year at a level similar to 12 months ago.

#### Self-managed infrastructure

Over the previous two years we have experienced some reduction in revenue within the self-managed infrastructure activity, predominantly from the large tail of smaller customers within some of the acquired brands. Overall, this segment grew in the year, due to the contribution from the Memset acquisition, which was made on the 12 March 2020, however organic revenue reduced by £2.3m.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Cloud Services (continued)

##### Non-recurring revenue

The largest area of revenue reduction in the current year was in non-recurring revenue in respect of on-premise hardware and software solution sales. This represented a £5.5m net reduction in revenue. This activity saw the most immediate impact from Covid-19 as customers simply delayed IT expenditure.

##### **Easyspace**

Our Easyspace segment has performed in line with expectations over the year with revenues reducing by £0.9m (6.7%) to £11.9m (2020: £12.8m). The domain name and web hosting business is a growing market but one in which we concluded that the marketing spend to compete with the global players was not the best use of our resources. The activity remains highly profitable and cash generative.

##### **Business model**

Our business model in both segments generally involves the provision of cloud and managed hosting services from our data centres, delivering the computing power, storage, and network capability our customers require for the operation of their own businesses. We have invested in an estate of data centres, an extensive fibre network and for each customer the servers, routers, firewalls etc that are necessary to create the IT infrastructure they require. These resources, along with the associated staff, are shared across most of our revenue streams. Customers pay us for the provision of that infrastructure, with the potential to add 3<sup>rd</sup> party technology and various degrees of a managed services wrapper.

Larger customers tend to have multi-year contracts for complex cloud solutions, which are invoiced and paid on a monthly basis. Many of our smaller customers pay in advance for the provision of services which results in a substantial sum of deferred revenue, which is then recognised over the period of the service provision. A significant proportion of our revenue is therefore recurring and the combination of multi-year contracts and payment in advance provides us with excellent revenue visibility.

##### **Gross Profit**

Gross profit in the year, which is calculated by deducting from revenue variable cost of sales such as domain costs, public cloud costs, the cost of hardware and software sold, power, sales commission and the relatively fixed costs of operating our data centres, reduced by £0.9m to £67.6m (2020: £68.5m). In percentage terms, gross margin<sup>2</sup> was broadly stable at 60.5% (2020: 60.8%), however, the movement in the year is a combination of a reduction in on-premise hardware and software solution sales which are typically lower gross margin given the inclusion of the reselling element of their solutions, offset by initial lower contribution levels on some of the larger managed cloud solutions compared to margins from the self-managed infrastructure only deals made in previous years.

We have not seen any significant individual price change in any of the components of the purchased cost base in the last 12 months, although as more complex solutions are designed for customers we generally see more bought in recurring costs being introduced to our cost of sales.

##### **Adjusted EBITDA<sup>3</sup>**

The Group's adjusted EBITDA reduced by 4.8% to £41.4m (2020: £43.5m) which in adjusted EBITDA margin<sup>4</sup> terms translates to 37.0% (2020: 38.6%). The impact of the acquisitions is the main factor behind the increase in the administration expense (before depreciation, amortisation, share based payment charges and acquisition cost) of £1.2m versus the previous year comparative with a small £0.2m saving within the underlying business.

Cloud Services segment saw a 4.3% reduction in adjusted EBITDA to £40.5m (2020: £42.3m). In percentage terms the Cloud Services margin decreased to 40.5% (2020: 42.4%). This adjusted EBITDA profitability reflects the reducing revenue contribution from the higher margin legacy self-managed infrastructure, which cannot be fully replaced by the initial profitability of wins within the more complex managed cloud services, along with some investments in operations in the year. Although at a lower overall level, stability was achieved during the year, with the second half adjusted EBITDA margin being consistent with those achieved in the first half of the year.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Adjusted EBITDA (continued)

The Easyspace segment's adjusted EBITDA was £5.3m (2020: £5.6m) reflecting the impact of slightly lower revenue this year offset with some improvement in gross margin due to the specific bundle of packages sold to hosting customers. In percentage terms the adjusted EBITDA margin increased to 44.8% (2020: 44.2%).

Group overheads remained stable at £4.4m (2020: £4.4m). These are costs which are not allocated to segments, including the cost of the Board, the running costs of the headquarters in Glasgow, Group marketing, human resource, finance and design functions and legal and professional fees for the year.

#### Adjusted profit before tax<sup>5</sup>

The depreciation charge of £16.9m (2020: £15.6m) has increased by £1.3m in the year, driven by the acquired asset base of the Memset and ServerChoice acquisitions at the end of last year. The depreciation charge as a percentage of recurring revenue is 16.8% which is broadly consistent with prior year of 16.4%.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets"), of £2.9m (2020: £2.9m) has remained stable year on year.

Finance costs of £2.0m (2020: £2.2m), has reduced due to lower bank loan interest as LIBOR rates fell.

After deducting the charges for depreciation, amortisation (excluding the charges for the amortisation of acquired intangible assets) and finance costs from the adjusted EBITDA, the Group's adjusted profit before tax reduced to £19.6m (2020: £22.8m), representing an adjusted profit before tax margin<sup>6</sup> of 17.5% (2020: 20.2%).

#### Profit before tax

The measure of adjusted profit before tax is an alternative profit measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	2021 £'000	2020 £'000
Adjusted profit before tax <sup>5</sup>	19,628	22,768
Less: Amortisation of acquired intangible assets	(5,457)	(6,159)
Less: Acquisition costs	(493)	(438)
Less: Share-based payments	(1,247)	(1,243)
Add: Gain on revaluation of contingent consideration	33	1,856
Profit before tax	12,464	16,784

The adjusting items are: charges for the amortisation of acquired intangible assets of £5.5m (2020: £6.2m) with the reduction being from expiry of the amortisation charge on earlier acquisitions; acquisition costs of £0.5m (2020: £0.4m) and share-based payment charges of £1.2m (2020: £1.2m).

In addition, the adjusting items also include a minor gain on the revaluation of contingent consideration in the year on the prior year acquisitions. During the year to 31 March 2020, the equivalent value was higher at £1.9m which related to the reduction in the earn-out payment on the December 2019 LDeX acquisition.

After deducting these items from the adjusted profit before tax, the reported profit before tax was £12.5m (2020: £16.8m). In percentage terms the profit before tax margin<sup>7</sup> was a reduction to 11.1% (2020: 14.9%) with one third of the reduction coming from a one off gain on contingency consideration in prior year not repeated, with the majority of the balance driven by the trading result in the year.

#### Taxation

The tax charge for the year is £2.3m (2020: £3.1m). The tax charge for the year is made up of a corporation tax charge of £3.5m (2020: £3.6m) with a deferred tax credit of £1.2m (2020: £0.5m). The effective rate of tax for the year is 18.1% (2020: 18.7%). The increase to a 25% UK corporation tax rate was not substantively enacted at 31 March 2021 consequently, at the year end, the deferred tax balances have been calculated with a 19% rate. We believe the UK headline corporation tax rate, is considered a reasonable recurring effective tax rate for underlying profits. Further explanation of the tax charge for the year is given in note 9.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### **Profit for the year**

After deducting the tax charge for the year from the profit before tax the Group has recorded a profit for the year from total operations of £10.2m (2020: £13.6m).

#### **Earnings per share**

The calculation of both adjusted earnings per share and basic earnings per share is included at note 11.

Basic earnings per share from continuing operations was 9.3p (2020: 12.5p), a reduction of 25.6%.

Adjusted diluted earnings per share\*, based on profit for the year attributed to ordinary shareholders before amortisation charges of acquired intangible assets, acquisition costs, share-based payment charges, the gain on the revaluation of contingent consideration, and the tax effect of these items was 14.4p (2020: 16.3p), a reduction of 11.7%.

The measure of adjusted diluted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

#### **Dividends**

Our dividend policy, which has been in place for several years now, is based on the profitability of the business in the period measured with reference to the adjusted diluted earnings per share we deliver in a financial year. For the last few years we have been paying dividends at the maximum level allowed by our stated policy. We have reviewed our dividend policy in the year and with the continued strong level of cash generation in the business are increasing the maximum pay-out policy from 40% to 50% of adjusted diluted earnings per share. This amendment allows the Directors to propose a final dividend of 4.50p which is above the prior year of 3.93p and we believe is fully appropriate given the recurring revenue nature of the Group, the level of operating cash which we deliver, the low level of indebtedness within the Group and the fact we have not utilised any of the government furlough schemes. As a result, along with the interim dividend of 2.60p (2020: 2.60p), which was paid in January 2021, the total dividend for the year is 7.10p (2020: 6.53p), an increase of 8.7%.

#### **Cash flow and net debt**

##### *Net cash flows from operating activities*

The Group continued to generate high levels of operating cash over the year. Cash flow from operations was £43.7m (2020: £41.3m) which represents a 106% conversion<sup>9</sup> of adjusted EBITDA (2020: 95%). During the year the Group received £2.3m of cash deposit back from our landlord as part of the negotiation of the extension of the London data centre lease to June 2035. Adjusting for this one item takes the EBITDA conversion to cash ratio to 100% in the year. This strong level of cash flow conversion has been a constant feature over the years, recognising the strength of our business model and cash cycle.

Payments of taxation in the year was £1.1m lower at £3.6m (2020: £4.7m) and results in a net cash flow from operating activities in the year of £40.1m (2020: £36.6m), an increase of 9.4%.

##### *Cash flow from investing activities*

Our strategy is to continue to reinvest some of our strong operating cash flow we generate back into the business both in the form of internal investments into our global infrastructure but also in the continuation of our disciplined acquisition strategy.

The Group invested a total of £19.2m (2020: £21.3m) during the year.

The Group continues to invest in property, plant and equipment through expenditure on data centres and on equipment required to provide managed services to both its existing and new customers. As a result, the Group spent £15.2m (2020: £14.7m) on assets, net of related lease drawdowns, trade creditor movements and non-cash reinstatement provisions. Most of the spend in the year was on operational items such as servers and storage to support customer deployments. Project type capital expenditure on the infrastructure was £0.7m higher than last year. This included payments associated with the investment in the London data centre chiller replacement and the network upgrade in the last quarter of the year.

Expenditure was also incurred on development costs of £1.3m (2020: £1.4m) and on intangible assets of £0.6m (2020: £1.1m).

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### *Cash flow from investing activities (continued)*

We made no acquisitions in the last year (2020: £4.1m of payments, net of cash acquired). During the year we incurred £2.4m of expenditure in respect of contingent consideration due on previous year acquisitions (2020: £nil). As we have outlined in our strategy we do expect M&A activity will continue to support and accelerates our organic growth ambitions over the coming five years.

#### *Cash flow from financing activities*

Drawdowns of £1.2m (2020: £6.2m) were made from the revolving credit facility in the year to fund the payment of contingent consideration due on acquisitions. Bank loan repayments of £1.2m (2020: £2.0m) were made in the year thus the closing drawn bank loan remains unchanged at £52.8m (2020: £52.8m). Cash received in the year from issue of shares was £0.4m (2020: £0.6m). We also made dividend payments of £7.1m (2020: £8.3m); paid finance costs of £1.1m (2020: £1.7m); and made lease repayments of £5.4m (2020: £4.7m).

#### *Net cash flow*

As a consequence, our overall cash generated during the year was £7.5m (2020: £5.4m) which resulted in cash and cash equivalent balances at the end of the year of £23.0m (2020: £15.5m).

#### *Net Debt*

The net debt position of the Group at the end of the year was £54.6m (2020: £57.6m) as shown below. The increase in the lease liability to £24.9m (2020: £20.3m) primarily relates to extensions to existing lease arrangements, including the five-year extension to our London data centre. The net debt position represents a multiple of 1.3 times<sup>10</sup> (2020: 1.3 times) our adjusted EBITDA which we believe is a comfortable level of debt to carry given the recurring revenue business model and strong cash generation in the business.

	2021 £'000	2020 £'000
Bank revolver loan	52,791	52,791
Lease liabilities	24,867	20,347
Less: cash and cash equivalents	(23,038)	(15,497)
<b>Net Debt</b>	<b>54,620</b>	<b>57,641</b>

The banking facility, which provides an £80m revolving credit facility, matures in September 2022.

#### **Exposure to credit and liquidity risks**

Disclosures relating to our exposure to credit and liquidity risks are outlined in note 28.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Financial position

The strength of our business model, with high recurring revenue, low customer concentration across wide sectors and a positive cash cycle is well established and creates a very strong financial position. This resilience has been proven during the last 12 months in what has been an unprecedented period globally with the challenges caused by the Covid-19 pandemic. The Group continues to generate substantial amounts of operating cash. The generation of that cash flow, together with the committed bank loan facility for acquisitions, capital expenditure and general business purposes, means that the Group has the liquidity it requires to continue its growth through both organic and acquisitive means.



**Scott Cunningham**  
*Chief Financial Officer*  
15 June 2021

#### Definition of alternative performance measures:

<sup>1</sup> Recurring revenue is the revenue the repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as Recurring Revenue (as disclosed in note 3) / Revenue (as disclosed in the consolidated statement of comprehensive income)

<sup>2</sup> Gross profit margin % is defined as Gross Profit / Revenue as a % (both as disclosed in the consolidated statement of comprehensive income)

<sup>3</sup> Adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income) is earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and gain on the revaluation of contingent consideration. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

<sup>4</sup> Adjusted EBITDA margin % is defined as adjusted EBITDA (as defined on page 8) / Revenue (as disclosed in the consolidated statement of comprehensive income) as a %

<sup>5</sup> Adjusted profit before tax (as disclosed on page 11) is profit before tax, amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs and gain on revaluation of contingent consideration.

<sup>6</sup> Adjusted profit before tax margin % is defined as adjusted PBT (as defined on page 8) / Revenue (as disclosed in the consolidated statement of comprehensive income) as a %

<sup>7</sup> Profit before tax margin % is defined as Profit before Tax / Revenue (both as disclosed in the consolidated statement of comprehensive income) as a %

<sup>8</sup> Adjusted diluted earnings per share is earnings before amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs and gain on revaluation of contingent consideration and the tax impact of adjusted items / weighted average number of ordinary shares – diluted (as disclosed in note 11)

<sup>9</sup> Cash flow from operations / Adjusted EBITDA % is defined as cash flow from operations (as disclosed in the consolidated statement of cash flows) / Adjusted EBITDA (as defined on page 8) as a %

<sup>10</sup> Net debt / Adjusted EBITDA level ratio is defined as Net Debt (as disclosed on page 13) / Adjusted EBITDA (as defined on page 8)

**STRATEGIC REPORT – PRINCIPAL RISKS AND UNCERTAINTIES**

The Board of Directors, who are responsible for the Group's system of risk management and internal controls, have established systems to ensure that an appropriate level of oversight and control is provided to manage principal risks and uncertainties identified that could have a material impact on the Group's performance. The Group's systems of risk management and internal controls, which are reviewed for effectiveness by the Audit Committee and the Board, are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks relating to those objectives.

In the current year, the Group updated its risk management framework and risk assessment to reassess and update the current identified risks, where relevant, in order to support the execution and delivery of the Group's strategy. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks, and their effectiveness in operation, on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks are identified and appropriate action taken at an early stage. More details on the Group's control framework is provided in the Corporate Governance report on page 32 and details of financial risks are outlined in note 28. Through this process, we have continued to identify similar potential material risks and uncertainties as reported in the prior year. These risks are as follows:

**Covid-19**

The impact of Covid-19 on our business required us to reassess the impact of the global pandemic on our risk management and internal control environment. Our resilient business model, the diversity and limited concentration of our customer base and thus minimised industry exposure has reduced the impact that Covid-19 had on our business during the year. We implemented remote working across all our sites and continue to operate effectively to meet customers' requirements. During the year, we undertook regular risk assessments to monitor the impact of Covid-19 and the Executive team reviewed the guidance issued by the UK government on a regular basis, and adapted accordingly, to ensure the health and safety of our employees continued to be at the forefront of our response to the pandemic. We believe our risk assessment process still remains valid and new modes of operation, including remote working, have not diluted the strength of our control environment.

**Staff**

As with any service organisation iomart is dependent on the skill, experience and commitment of its employees and especially a relatively small number of senior staff. The performance of the Group could be adversely affected if the required staffing levels are not maintained or senior staff are not retained. The Group seeks to recruit and retain suitably skilled and experienced staff by offering a challenging and rewarding work environment. This includes competitive and innovative reward packages and a strong commitment to training and development. The Group also has the ability to manage and recruit resource across multiple locations which creates, to some degree, flexibility on where we recruit and how we deploy our resources.

**Data centre operation**

Any downtime experienced at our data centres would immediately have an impact on our ability to provide customers with the level of service they demand. Should the Group be unable to provide the required level of service this could have an adverse effect on the Group's performance through the loss of customers and reputation. Our ongoing investment in preventative maintenance and lifecycle replacement programme ensures our data centres continue to operate at their optimum parameters. We also continually look at new innovations and technology within the sector that can help to deliver operational efficiency and effectiveness in line with our ISO50001 energy management system, and our obligations within the CRC Energy Efficiency Scheme.

**Network**

The Group provides an essential service to an extensive client base many of whom rely on the provision of that service for their major internet presence. The service we provide to customers is dependent on the continued operation of our diverse fibre network which connects our data centre estate. Should the network fail there would be an adverse impact on customers and any diminution in the level of service could have serious consequences for customer acquisition and retention. The Group has implemented a resilient network throughout its data centre estate with no single points of failure to ensure the likelihood of network failure is minimised.



**STRATEGIC REPORT – PRINCIPAL RISKS AND UNCERTAINTIES**

**Data and Cyber Security**

There has been a sharp rise in recent years in cyber and data related crime. The security of customer, commercial and personal data presents both a reputational and financial risk to the Group. Whilst it is a challenge to completely eliminate all data and cyber security risks, the Group continues to make substantial investment in physical and data security systems and to promote a culture within the organisation which embeds security across all of our operations. iomart continues to develop our security portfolio to equip our customers with the means to counter the types of security threats our clients face. We are enhancing our internal process improvement, security awareness and training to ensure we provide solutions which customers can rely on. The Group also carries specific insurance in relation to cyber related crime. Our contracts and associated schedules with customers make it clear where responsibilities lie in relation to the roles and responsibilities of each party for the Security of Data and Data Protection in general.

**Competition**

iomart operates in a competitive and fluid marketplace and while the Directors believe the Group enjoys significant strengths and advantages in competing for business, some of the competitors are significantly larger, allowing them to offer similar services for lower prices than the Group would be prepared to match, or launching new product offerings with significantly enhanced features. Consequently, these competitors could materially adversely impact the scale of the Group's revenues and its profitability. In response to this, we maintain a broad customer base, with currently no single customer with more than 2% of our annual revenue. We also mitigate the risk by establishing strong relationships with our customers, developing tailor-made and value-creating solutions and delivering excellent service performance while being cost competitive in our day to day business. Our development team are continually working towards both enhancing, and augmenting, the services we currently offer. Our product board meets regularly to keep abreast of new technology which could enhance the Group's service portfolio.

**Key suppliers**

The Group is dependent on certain key suppliers for the continued operation of its business, the most significant of which are those for electricity, bandwidth and servers. Were any of these key suppliers to fail in their service provision to the Group this could have an adverse effect on the Group's ability to provide services to its customers. In all cases these supplies are obtained from reputable organisations chosen after a thorough selection process. After selection, the Group actively seeks to maintain good relationships with the chosen suppliers. The Group also seeks to maintain either several sources of supply or, in the case of electricity, alternative sources of power.

**Growth management**

The Group seeks to achieve high levels of growth through a combination of organic and acquisitive means. As a consequence, we need to continue to evolve as an organisation to meet the demands that such growth places on our business operations. Failure to evolve in the necessary way could lead to deterioration in overall business performance. As part of our annual strategy and budget review process, which is updated as necessary throughout the year, we identify the resource and organisational changes that are needed to support our growth. In addition, an integration and migration plan is produced for each acquisition that is made to ensure the acquired operation is successfully integrated into the Group's operations.

**Acquisitions**

The Group has made several acquisitions over the last number of years and has a stated strategy to continue to make acquisitions. This produces three areas of risk:

- Acquisition target risk – we may not be able to identify suitable targets for acquisition. Through a combination of internal research and external relations we maintain an active pipeline of potential acquisition targets;
- Acquisition integration risk – we may not integrate the acquired business into the Group in an effective manner and as a consequence could lose staff and customers of the acquired business. For each acquisition we prepare an integration and migration plan which includes the participation of the vendor to ensure successful integration of the acquired business into the Group's operations; and
- Acquisition performance risk – the acquired business may not perform in line with expectations. As a consequence, the expected financial performance of the operation may not be achieved with a resulting adverse effect on profits and cash flow. For each acquisition diligence and integration planning is undertaken and all potential synergies identified.

## STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Stakeholder engagement is critical to the long-term success and sustainability of our business and the Board recognises its responsibility to take into consideration the needs and concerns of our key stakeholders as part of its discussion and decision-making processes. During the year, the Board and its Directors confirm they have acted in a way that promotes the success of iomart Group for the benefit of its members as a whole, and in doing so have had regard to the stakeholders and key matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 (“Section 172”).

The Board considers that the Group’s key stakeholders are its shareholders, employees, customers, suppliers and key partners and the environment. The Directors recognise that they are expected to take into account the interests of those stakeholders whilst prioritising the long-term success of the Group. This can mean that the interests of certain stakeholder groups in the short-term may need to be balanced against such long-term success.

The Board view the key stakeholders and principal methods of engagement as shown in the table below. In all cases, the level of engagement informs the Board, both in relation to stakeholder concerns and the likely impact on decision-making. The Board uses its monthly board meetings as a mechanism to address and meet its obligations under Section 172.

Stakeholder Group	How we engaged in 2020/2021
Shareholders	<p>The Board engages with shareholders throughout the year through the annual and half year results, trading updates, the Annual General Meeting, the investor roadshows and the investor pages on the iomart Group website. Given the change of Chief Executive Officer (“CEO”) during the year there has been a higher level of interaction with shareholders and investors away from annual and half year reporting as a number of one to one meetings were undertaken as part of the CEO handover programme. In the current year, the Board has adapted any methods of communication as required to comply with Covid-19 government guidance.</p> <p>The Board receives detailed feedback reports via our various advisors, on views of shareholders and covering analysts. Throughout the year we have maintained open and effective engagement with shareholders and investors on key topics such as strategy, environmental, social and governance (“ESG”) and business performance.</p> <p>In the current year, we have used ‘Reach’, an investor communication service aimed at assisting companies to deliver non-regulatory news, to announce the appointment of our Chief Marketing Officer (“CMO”) and our investment in our fibre network.</p>
Employees	<p>Our culture defines the behaviours we expect from all our employees and helps drive our strategy of building a high performance team. Our core values are:</p> <ul style="list-style-type: none"> <li>• <b>People first</b> – our people are at the heart of everything we do. We support them to anticipate our customers’ needs and exceed their expectations;</li> <li>• <b>One team</b> – we work together to achieve great things and treat each other with respect;</li> <li>• <b>Be curious</b> – we will always strive to improve and challenge the status quo;</li> <li>• <b>Be accountable</b> – we take ownership of what we do and how we do it. We will deliver on our promises and are open to feedback; and</li> <li>• <b>Be ambitious</b> – we take pride in and are passionate about our work and we insist on the highest standards from ourselves and others.</li> </ul> <p>In the current year, we have reinvigorated the way in which we communicate with our employees through a range of channels to ensure employees are informed about business strategy and developments in real-time. We introduced the use of Yammer across the Group to connect leaders, communicators, and employees to build communities, share knowledge (both formal and informal) and engage everyone. This social networking tool has been popular for acknowledging new business wins, staff achievements and also promoting social events such as quiz nights and virtual running clubs.</p> <p>This year has seen wider communication by the Board to all employees through quarterly townhalls led by our CEO to provide updates on strategy, organisational change and answer any questions put forward by employees. Our Chairman attended the March 2021 townhall to give his views on strategy going forward and respond to employee questions.</p>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Stakeholder Group	How we engaged in 2020/2021 (continued)
Employees (continued)	The Board continues to receive monthly HR updates covering key employee matters and developments. By maintaining a rotational schedule, which sees department heads present at Board meetings, and the sharing of regular internal staff publications and newsletters sent to all employees, the Board is well connected to the wider employee base.
Customers	The Group places customers at the heart of our business and strategy and has continued to focus on this ethos throughout the Covid-19 pandemic to ensure we support our customers. All our teams are focused on regular communication with customers to ensure we fulfil our customers' product and service requirements and to deliver excellent customer service. We ensure that our customers have the opportunity to speak to their support team, account manager or a member of senior management throughout each stage of their customer journey with iomart. For more details on how the Group engages with customers, see the Directors' report on page 44.
Suppliers and key partners	<p>Open and honest engagement and relationships with our suppliers and subcontractors is critical to the delivery of our business model and long-term strategy. The Group has a number of key strategic partners that we engage with to support delivery of our business in a number of key areas including IT infrastructure and communication products and services, software, provision of power and our landlords on leased property. Our teams and employees interact with our strategic partners and all other suppliers on a regular basis to strengthen trading relationships and to ensure that the supply chain function continues to operate well to support the business.</p> <p>The CEO and CFO continue to engage with a number of key strategic partners to ensure we monitor the quality of our suppliers to optimise operational efficiency, ensure we receive the best level of service and continue to contract on favourable terms to support the business. For more details on how the Group engages with suppliers, see the Directors' report on page 44.</p>
Environment	<p>The Group recognises the environmental impacts arising from our business activities and is committed to reducing these through effective environmental management. The Group operates a number of data centres throughout the UK and we operate our data centres in a way intended to reduce the impact on our local environment, including the usage of energy and carbon dioxide emissions.</p> <p>The Board receive updates on compliance with ISO standards, environmental and energy efficiency management policies and updates on improvement activities through the monthly Board pack.</p>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

The following table covers the key decisions made during the year and the stakeholder group(s) impacted by these decisions.

Key Impact	Key decisions made	Key Stakeholder Group's impacted
Long term strategy and performance of the Group	<p>During the year, the Board has challenged and approved the Group's long-term strategic plan for the next five years. This strategic planning was led by Reece Donovan, the new CEO, which provided a fresh view of the market opportunities and priorities for the business. A Capital Markets Day was undertaken on 5 May 2021 in which the Group's strategic plans were presented to shareholders and investors. The Group Strategy is outlined in the CEO's report on pages 4 and 5. In reviewing the strategic plan, the Board considered the potential impact that the Group's growth plans might have on its key stakeholders to ensure that there was a healthy balance between growth, shareholder returns, internal and external factors and wider stakeholder considerations.</p> <p>In addition to approving the strategic plan, the Board approved the Group's 2021/22 financial budget and forecasts to 2026. The budget was developed by the Executive team through a detailed bottom-up approach to set annual targets taking into consideration the strategic plan and any specific priorities and challenges faced by the Group. The Board considered the potential impact on our key stakeholders to ensure that the budget achieved a responsible balance between operating performance and short and long-term considerations that matter to our key stakeholders.</p> <p>The Board reviews the Nomination Committees assessment of the current and future composition of the Board, with a focus on diversity, skills and succession planning. The Board approved the appointment of Reece Donovan as CEO and the previous CEO stepping into a Non-Executive Director role. There were some changes made to the internal organisation in the year and, in particular, the CEO direct reporting lines. These changes included the appointment of a new CMO and COO to strengthen the Executive team and our relationships with our key stakeholders.</p> <p>The Board continues to monitor the trading performance of the Group, on a monthly basis, through detailed Board reports provided by the CFO covering trading in the month and year to date, with performance monitored against budget and the previous financial year. In addition, at each Board meeting, the Board also receives detailed Board reports covering commercial, operational and HR matters prepared by senior managers of the business. These reports cover sales and forecast pipeline, customers and suppliers, data centre activity and various aspects of operational performance, compliance with ISO requirements and key employee activity.</p> <p>In the current year, the Board engaged a third party to perform an external market assessment to understand in more detail the market dynamics that iomart operates in and the impact this may have on the strategic plan.</p>	Shareholders, Employees, Customers, Suppliers, Environment

## STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group's impacted
Response to Covid-19	<p>During the year, the Board has focused widely on the impact of Covid-19 to ensure that all employees are safe and supported; to ensure that the business continues to operate to the highest standards for the benefit of all stakeholders; and to protect and enhance the long-term future of the business. The Board has made decisions which have responded to the best interests of our key stakeholders whilst ensuring a balance between short-term financial impact and longer-term business resilience.</p> <p>A detailed customer risk assessment was undertaken by the CFO, supported by the management team. Whilst that did not identify any material concerns across our customer base, the Board sanctioned the decision to support some SME customers through extended payment terms to help them manage the financial impact the pandemic had on their working capital.</p> <p>A review of the supply chain of the Group and our main suppliers including IT infrastructure, communication products and services and power was conducted in the year to ensure we can continue to deliver on our business model throughout the pandemic. The Board made the decision to continue to pay suppliers under their normal payment cycles. No other material decisions were made in respect of any changes needed to our supply chain as a result of Covid-19.</p> <p>There has continued to be a clear focus on monitoring of cash flow and strong cash management with monthly reporting to the Board. The Board took the decision not to apply for financial support through the government's furlough scheme and to continue to support a small number of employees whose roles are not currently required.</p> <p>In addition, the Company has focused on ensuring the health and wellbeing of our employees to ensure we support our employees throughout the Covid-19 pandemic and the Board have supported a number of key initiatives including:</p> <ul style="list-style-type: none"> <li>• An employee assistance programme has been launched in the year with a third party provider, Health Assured, offering free counselling support available 24/7 for all employees and their families;</li> <li>• All employees have been given access to Health Assured's 'My Healthy Advantage' phone app giving access to, among other things, mindfulness videos, mini health checks, health coaching and healthy eating guidance.</li> <li>• We are delighted to be working in partnership with a charity, Mindapples, as part of our employee wellbeing programme. Mindapples help to improve mental health and help people take better care of their minds improving resilience and productivity. During the year Mindapples has delivered sessions to our staff and managers including 'feed your mind' and 'get motivated' sessions to support staff wellbeing which will continue through the coming year.</li> </ul> <p>As noted in the CEO's report on page 4, Principal Risks and Uncertainties on page 15 and the Corporate Governance report on page 31, the Board has continued throughout the year to formally consider the ongoing risks as a result of Covid-19 on the business and our key stakeholders.</p>	Shareholders, Employees, Customers, Suppliers

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT**

Key Impact	Key decisions made	Key Stakeholder Group's impacted
Financing and capital spend	<p>The Board approves major capital expenditure in excess of £1m to support the capital investment in our infrastructure and data centres. In the current year, the Group has invested almost £2m in next generation core routing technology, which will provide 100GB capacity on its network with the ability to scale to 400GB. As a result, iomart customers will benefit from faster, even more reliable connections to support their data and applications.</p> <p>The Board approves the terms and conditions of the Group's multi revolving credit facility. As part of the monthly Board report, the board receives monthly reporting on compliance with bank covenants.</p> <p>The Board reviews the dividend policy and approves the interim and annual dividends taking into account the results and financial position of the Group, including the impact of Covid-19.</p>	Shareholders, Customers
Employees and culture	<p>The Board seeks to ensure that the Group's staff policies and processes are aligned with the Company's core values and promote the long-term strategy of the Group. In addition, the Board continues to make decisions that encourage improvements in systems, processes and benefits which impact our employees.</p> <p>During the year, we completed an employee survey with 80% completion rate to help understand employee views on working from home and the new mode of operations and to obtain feedback on future ways of working. In addition, we held a number of staff engagement workshops with various levels of staff. The purpose of both these interactions was to encourage engagement and feedback across the organisation and drive cultural alignment with our new core values. In addition, it ensures areas of importance highlighted by employees are considered and reflected in future decisions and communications. The results of our interaction with employees were reviewed by the Executive team and the Board to develop actions and resulted in the launch of a number of initiatives which are discussed above in our response to Covid-19 and also noted below.</p> <p>In the current year, as staff continue to work at home due to Covid-19, the Board approved the formal introduction of a flexible working hours regime to give staff greater flexibility to suit their needs.</p> <p>In addition, in the current year a new performance management system was launched to enhance career development. The launch of this new system has been accompanied by 'managing agile performance' workshops held with all managers and staff to support and encourage staff to take ownership for their careers.</p> <p>During the year, the Remuneration Committee, after receiving input from professional advisors, has continued to make recommendations to the Board on the remuneration packages, including annual bonuses and salary review, for the Executive Directors and long-term incentive plans.</p>	Shareholders, Employees

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group's impacted
Governance, regulatory requirements and risk	<p>The Board reviews and approves the results announcements and trading updates, the half year report and annual report and the AGM statement. The Board receives regular briefings from the Chairman, CEO and CFO and the Group's brokers and public relations advisers.</p> <p>Through the half year and annual year end results process and the investor roadshows, the Board are in communication with analysts and advisors to help understand shareholder views which contributes to the Group's strategy and decision making. The CFO presents investor feedback results from the roadshows to the Board. A range of corporate information (including Group announcements) are available to all shareholders, investors and the public on the Group website <a href="http://www.iomart.com/investors">www.iomart.com/investors</a>.</p> <p>Following feedback from shareholders and with the benefit of an updated strategy, the Board decided to host a Capital Markets Day on 5 May 2021.</p> <p>The Board takes regulatory responsibilities seriously and is committed to ensuring that it is open and transparent with regulators. In the current year, the Board met with our nominated adviser to obtain an update on changes to AIM rules and market abuse regulations to ensure iomart's compliance with requirements. In addition, on 2 September 2020, the Board appointed Investec Bank plc as Joint Broker alongside Peel Hunt LLP to open up an additional channel to the investment community.</p> <p>The Board undertakes a formal and rigorous evaluation of its own performance annually and that of its Committees and individual Directors. As noted in our Corporate Governance report on page 29, an internal evaluation of the Board was completed in February 2021.</p> <p>In the current year, the Group has refreshed the internal control framework and the Group risk register and presented this to the Board for approval. This refresh involved bringing together the Executive team to reassess the Group's key risks and update the current assessment of controls and improvement actions required in respect of each major risk identified. In addition to this, the Board ensured they were fully informed on the impact of Brexit on the Group during the year through the presentation of a detailed assessment of key risks and implications for the Group by the CFO.</p>	Shareholders, Employees, Customers, Suppliers, Environment

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group's impacted
Environment	<p>Environmental, social and governance (“ESG”) was a topic with greater engagement when we met with shareholders during the year. The Board is committed to demonstrating clear environmental and social policies and to minimise the impact of our business operations on the local environment.</p> <p>The Company participates in the Energy Saving Opportunities Scheme (ESOS) and meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations (see pages 44 and 45 for our SECR reporting and details on our energy efficiency actions in the year). The Board receive regular management reports on energy performance and outputs of our data centres to demonstrate our commitment to ESOS and SECR and is committed to developing the reporting of emissions across the Group with the intention to further improve environmental performance of our key data centre locations. In the prior year the Board approved the replacement of the cooling system at our London data centre to improve energy efficiency which has been substantially completed in the current year. In addition, LED lighting has been installed in key data centres to improve energy efficiency.</p> <p>The Board approved the commitment to procurement of Renewable Energy Guarantee of Origin (“REGO”) certificates for our green energy procurement. Schneider Electric, our appointed energy management company, continues to support the Board in development of an appropriate renewable energy and carbon strategy.</p>	Employees, Customers, Suppliers, Environment

The Strategic Report on pages 3 to 23 has been approved by the Board and is signed on its behalf:



**Scott Cunningham**  
*Chief Financial Officer*  
15 June 2021



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### BOARD OF DIRECTORS

<p><b>Reece Donovan</b> <b>Chief Executive Officer</b> <b>Date of appointment</b> October 2020</p> <p><b>Background and experience</b> Reece has over 23 years' experience in the technology and telecommunication industries, with a demonstrable track record of achievement in roles both in the UK and internationally. Reece's most recent position, prior to joining iomart, was Chief Executive Officer at Nomad Digital, a provider of IP connectivity and digital solutions to the global transportation sector. Previous positions include Senior Vice-President Global Services for CSG International, a provider of software solutions to over 400 customers located in 120 countries and a number of management and operational roles across the technology, communications and consumer packaged goods industries at Steria plc, Xansa plc and Druid plc.</p>	<p><b>Scott Cunningham</b> <b>Chief Financial Officer</b> <b>Date of appointment</b> September 2018</p> <p><b>Background and experience</b> Scott is a chartered accountant having trained with Arthur Andersen where he became a senior manager providing audit and transaction support services to both public and private companies. Leaving Arthur Andersen in 2001 Scott joined Clyde Blowers and performed a number of roles including Group Financial Controller for the Clyde Bergemann Power Group from 2003 to 2006. He became Director of Corporate Finance and Company Secretary for AIM listed InterBulk Group plc in February 2006 and in April 2007 Scott became Group Finance Director for InterBulk Group plc until it was successfully sold to Den Hartogh in March 2016. Immediately prior to joining iomart he was an Investment Director at Clyde Blowers Capital.</p>	<p><b>Ian Steele</b> <b>Non-Executive Chairman</b> <b>Date of appointment</b> June 2016 (appointed Chairman August 2018)</p> <p><b>Committee Membership</b> Audit, Remuneration and Nomination (Chair)</p> <p><b>Background and experience</b> Ian is a chartered accountant with over 35 years' experience in the corporate finance and advisory sector. During a 16-year career with Deloitte LLP, Ian undertook roles within corporate finance and global advisory services. In his final eight years before leaving Deloitte LLP in 2015, Ian sat on the UK board and fulfilled the role of senior partner for Scotland and Northern Ireland, as well as Head of Global Advisory Services for the Firm.</p> <p>Ian took over the Chairmanship of iomart in August 2018.</p> <p><b>External appointments</b> Ian is a Non-Executive Director of STV Group plc and a member of the Advisory Board of Visible Capital Limited. He is also a member of the Constitutional Panel of The Institute of Chartered Accountants of Scotland.</p>
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# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### BOARD OF DIRECTORS

<p><b>Angus MacSween</b> <b>Non-Executive Director</b> <b>Date of appointment</b> March 2000 (appointed Non-Executive Director October 2020)</p> <p><b>Background and experience</b> Angus founded iomart in December 1998 following 15 years spent creating and selling businesses in the telephony and internet sector. In 1984, after a short service commission in the Royal Navy, Angus started his first business selling telephone systems. He then grew and sold five profitable businesses – including Prestel, an online information division of BT, which he turned into one of the UK's first internet service providers. Following the sale of Teledata Limited, the UK's leading telephone information services company, to Scottish Telecom plc, Angus then spent two years on the executive of Scottish Telecom plc where he was responsible for the development of the company's internet division. Angus was Chief Executive Officer until he retired on 1 October 2020 and was appointed as a Non-Executive Director on the same day.</p>	<p><b>Richard Masters</b> <b>Non-Executive Director</b> <b>Date of appointment</b> June 2017</p> <p><b>Committee Membership</b> Audit, Remuneration (Chair) and Nomination</p> <p><b>Background and experience</b> Richard has over 30 years' experience in the legal profession and was managing partner of McGrigors LLP until April 2012 when it merged with Pinsent Masons LLP. He sat on the main board of Pinsent Masons until March 2017 and has held a number of roles in the business including corporate finance advisory services. He served as Head of Client Operations for Pinsent Masons for three years post-merger before being appointed as Executive Chairman of Complete Electronic Risk Compliance Limited, a Pinsent Masons LLP subsidiary which was sold to Dow Jones in February 2018. Richard was Chair of Scotland and Northern Ireland for Pinsent Masons from September 2017 until October 2019 when he retired.</p>	<p><b>Karyn Lamont</b> <b>Non-Executive Director</b> <b>Date of appointment</b> February 2019</p> <p><b>Committee Membership</b> Audit (Chair), Remuneration and Nomination</p> <p><b>Background and experience</b> Karyn is a chartered accountant and former audit partner at PricewaterhouseCoopers LLP. She has over 25 years of experience, 13 years as an audit partner, and provided audit and other services to a range of clients across the UK's financial services sector, including outsourcing providers. Her specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance. Karyn left PricewaterhouseCoopers LLP in 2016.</p> <p><b>External appointments</b> Karyn is a Non-Executive Director, and Audit Committee Chair, for The Scottish Investment Trust plc, Scottish Building Society, North American Income Trust plc and Scottish American Investment Trust plc.</p>
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# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **CORPORATE GOVERNANCE REPORT**

On behalf of the Board, I am pleased to present our Corporate Governance report for the year ended 31 March 2021. As Chairman of the Board, I am responsible for ensuring that the Board operates effectively and that it continues to uphold a high standard of corporate governance with strong procedures and policies that are considered appropriate to the nature and size of the Group. The Board understands the importance of ensuring that there is a strong governance framework in place which underpins the Group's ability to achieve its strategic goals and aims to continually improve our processes and risk management to support the continued growth of the Company. The Board reviews governance arrangements on an ongoing basis to ensure that they remain fit for purpose and that our governance model continues to support our business.

In FY19, the Company adopted the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance code. The Company continues to adopt the QCA code and this report describes our approach to governance and how the principles of the QCA code have been fully complied with during the year. Our statement of compliance, required for AIM companies, can also be found on our website at [www.iomart.com/investors/corporate-governance](http://www.iomart.com/investors/corporate-governance).

#### **Stakeholder engagement**

Engagement with our stakeholders is critical to the long-term success of the Group and it is my role to manage the Board in the best interests of the Group's many stakeholders and be responsible for ensuring the Board's integrity and effectiveness. The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making process and remains committed to strengthening business relationships.

The Board has iomart's environmental, social and governance ("ESG") performance at the forefront of its agenda. We welcome the recent QCA Practical Guide to ESG issued in April 2021 and will use this to support continued improvement within each of the three areas. Our reporting on ESG performance in the current year is covered in this Corporate Governance report, the Stakeholder Engagement report on pages 17 to 23 and the Directors report (including our Streamlined Carbon Energy Reporting) on pages 44 to 46.

A culture of strong corporate governance is essential to our future growth and I am confident that our approach to governance provides a robust framework to support the achievement of our strategic plan.



**Ian Steele**  
*Non-Executive Chairman*  
15 June 2021

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### CORPORATE GOVERNANCE REPORT

#### The Board

##### Role of the Board

The Board's principal role is to provide effective leadership of the Group and establish and align the Group's values, strategic plans and culture. The strategic report describes the business model on page 10 and explains the basis on which the Group generates value, and the long-term strategy of the Group is outlined on pages 4 and 5.

It is the Board's role to ensure that the Group is managed for the long-term benefit of all its stakeholders and is responsible for delivering shareholder value by developing the Group's strategic plans. The Board ensures that obligations to all key stakeholders are met and that effective and efficient decision making is made incorporating the needs of our many stakeholders to drive and deliver its strategy in the best interest of all the Group's stakeholders.

The Board is responsible for overseeing the Group's external financial and other reporting and for ensuring that a robust framework of governance and controls exist which allow for the identification, assessment and management of internal controls and risk management to support the continued growth of the business.

There is an approved formal schedule of matters reserved for the Board which includes, but is not limited to:

- approval of strategic plans, annual financial budgets and business plans;
- approval of material acquisitions, contracts, acquisition of major capital expenditure and disposal of major assets;
- changes relating to the Group's structure and shares;
- approval of the annual report and interim financial statements, trading statements, preliminary announcements and accounting policies;
- approving any significant funding facilities; and
- approval of the dividend policy.

The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the trading results. Information of a sufficient quality is supplied to the Board in a timely manner. In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting.

##### Board Structure and division of responsibilities

The Group is led by a strong and experienced Board of Directors which brings depth and diversity of expertise to the leadership of the Group. The Board has an appropriate balance of skills, experience and knowledge of the Group and its market to enable it to discharge its duties and responsibilities effectively. The Board recognises that to remain effective it must keep the composition of the Board under review to continue to ensure the right mix of skills and business experience to support the effective functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

Following the appointment of Reece Donovan as Chief Executive Officer and Angus MacSween as Non-Executive Director, the Board now has six members, comprising two Executive Directors being the Chief Executive Officer and Chief Financial Officer, the Non-Executive Chairman and three Non-Executive Directors. Board biographies of all Board members giving details of their experience are included on pages 24 and 25.

The responsibilities of the roles within the Board are set out below:

##### Chairman

The Chairman is responsible for the leadership and effectiveness of the Board and overall running of the Board, ensuring that all Directors receive sufficient and relevant information prior to meetings to allow independent judgement and bring effective challenge to decision making. The Chairman sets the Board agenda and chairs the Board meetings to encourage open and honest debate, constructive challenge of the Executive Directors and facilitate effective contribution of Non-Executive Directors. There is clear division of responsibility between the Chairman and Chief Executive Officer. The Chairman provides challenge to the Executive Directors and works closely with the Chief Executive Officer on key strategic decisions. The Chairman maintains and supports appropriate communication channels with shareholders as appropriate.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **CORPORATE GOVERNANCE REPORT**

#### **Board Structure and division of responsibilities (continued)**

##### **Chief Executive Officer and Chief Financial Officer**

The Chief Executive Officer's responsibility is the leadership, management and overall control of the Group. Once the Board has approved the strategic plan and financial objectives, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Executive Committee which comprises the Chief Financial Officer and senior executives who manage the day-to-day operation of the Group's business.

The Chief Executive Officer is responsible for the running of the business and, along with the Chief Financial Officer, is responsible for the day to day financial and operational management of the Group in addition to approving budgets, monitoring the Group's principal risks and maintaining close contact with all key stakeholders. The Chief Executive Officer and Chief Financial Officer are supported by a highly committed and experienced senior management team, with the qualifications and experience necessary to run the Group and are responsible for monitoring the performance of the senior management team.

Overall, there is a clear division of responsibilities between the running of the Board and the Executives responsible for delivering on the Group's strategic plan, to ensure that no one person has unrestricted powers of decision.

##### **Independent Non-Executive Directors**

The Non-Executive Directors provide independent, constructive challenge to the Executive Directors and are responsible for bringing independent judgement and scrutiny to decisions taken by the Board. They strengthen governance through being members of the various Board Committees and help ensure that the Group's strategy is delivered within the Group's risk framework and internal control environment.

##### **Company Secretary**

The Company Secretary supports the Chairman and Chief Executive Officer on all matters of governance and is available to all Directors for advice and support. The Company Secretary is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted.

The Chairman and Non-Executive Directors hold other Directorships, as detailed in the Board biographies set out on pages 24 and 25. The Board has considered the associated commitments do not detract from their ability to discharge their responsibilities effectively.

##### **Independence**

At the year end, the Board considers that all Non-Executive Directors serving are independent with the exception of Angus MacSween. Angus MacSween was appointed as a Non-Executive Director to the Board on 1 October 2020 after resigning as CEO and was not appointed to any of the Board's committees. This has created a period where the Board is split equally in number terms between independent and non-independent Directors, although the Chairman's casting vote, if required, ensured independence, but this period allows for an appropriate and effective handover of the executive leadership of the business.

The Board is satisfied with the balance between Executive and independent Non-Executive Directors which operated throughout the year. Further to the announcement made last September, it is now expected that Angus MacSween will extend his Non-Executive involvement beyond the initial expected 12 months from 1 October 2020, given the value he continues to add to the Board. In addition, the Board is seeking to appoint a fourth independent Non-Executive Director to add additional sector skills to support our execution of the refreshed medium term strategic plan.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### CORPORATE GOVERNANCE REPORT

#### Composition of and Appointments to the Board

The composition of the Board ensures an appropriate balance of Executive and Non-Executive Directors and when appointing new Directors to the Board there are formal, rigorous and transparent procedures in place to ensure consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates in relation to changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary, Chief Financial Officer and through the Board Committees.

Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board members. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

#### Board Evaluation

The Board, led by the Chairman, undertakes a formal and rigorous evaluation of its own performance annually and that of its Committees and individual directors to identify areas for improvement. Each year a formal evaluation is conducted by means of a detailed questionnaire which is completed by each Director. The results of this process are collated by the Chairman and discussed by the Board collectively. The annual evaluation includes a review of the performance of individual Directors, including the Chairman, and the Board Committees. The most recent evaluation during the year concluded that the Board and the relevant Committee performance had been satisfactory. There are no outstanding actions from this year's process. The Board intend to review the Board evaluation process in the coming year.

#### Attendance at Board and Committee Meetings

Attendances of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

	Board	Remuneration Committee	Audit Committee	Nomination Committee
Reece Donovan – Chief Executive Officer*	10 (10)	-	-	-
Scott Cunningham – Chief Financial Officer	10 (10)	-	-	-
Ian Steele – Non-Executive Chairman	10 (10)	4 (4)	3 (3)	3 (3)
Richard Masters – Non-Executive Director	10 (10)	4 (4)	3 (3)	3 (3)
Karyn Lamont – Non-Executive Director	10 (10)	4 (4)	3 (3)	3 (3)
Angus MacSween – Non-Executive Director	10 (10)	-	-	-

*\*Reece Donovan joined the Board in March 2020 as COO and was appointed as CEO in October 2020.*

*Figures in brackets indicate the maximum number of meetings in 2020/2021 for which the individual was a Board or Committee member.*

In advance of all Board meetings the Directors are supplied with detailed and comprehensive board papers covering the Group's financial and operational performance. Where any Board member has been unable to attend Board or Committee meetings, their input has been provided to the Company Secretary or Chief Financial Officer ahead of the meeting. The relevant Chairman then provides a detailed briefing along with the minutes of the meeting following its conclusion.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **CORPORATE GOVERNANCE REPORT**

#### **Board Committees**

The Board has established three committees to deal with specific aspects of the Board's affairs: Remuneration, Nomination and Audit Committees. Each Committee has formal terms of reference which were approved by the Board and can be found in the investor section of the Group's website. The effectiveness of all Committees is reviewed as part of the Board evaluation exercise.

#### **The Remuneration Committee**

The Remuneration Committee is chaired by Richard Masters. Its other members are Ian Steele and Karyn Lamont.

The Executive Directors may be invited to attend meetings, where appropriate, except where matters under review by the Committee relate to them.

The Remuneration Committee oversees the Group's remuneration policy, strategy and implementation and is responsible for reviewing and making recommendations to the Board on the total remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on the Group's policy on Directors' remuneration and long-term incentive plans (including share option schemes for all employees);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Group;
- ensuring that remuneration is in line with current industry practice; and
- reporting to the Board on all matters within its duties and responsibilities.

#### **The Nomination Committee**

The Nomination Committee is chaired by Ian Steele. Its other members are Richard Masters and Karyn Lamont.

The Nomination Committee considers the selection and re-appointment of Directors. Its terms of reference include:

- reviewing the structure and composition of the Board;
- identifying and nominating for approval candidates to fill Board vacancies;
- evaluating the balance of skills, knowledge experience and diversity of the Board;
- review results of the Board performance evaluation process; and
- reporting to the Board on all matters within its duties and responsibilities.

In the current year, the Nomination Committee was responsible for recommending the appointment of Reece Donovan as Chief Executive Officer and Angus MacSween as Non-Executive Director.

#### **The Audit Committee**

The Audit Committee is chaired by Karyn Lamont. Its other members are Ian Steele and Richard Masters.

The Audit Committee has recent and relevant experience and is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee.

During the year, the Audit Committee provided oversight of the financial reporting process to ensure information gives an accurate position of the Group's position, performance, business model and strategy. In addition, the Committee continued to oversee the risk management and internal control systems. The Audit Committee terms of reference include reviewing and monitoring:

- interim and annual reports, including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditor's plan and scope for the year end audit of the Group and its subsidiaries;
- the risk management framework and risk assessment covering the systems of internal control and their effectiveness, reporting and making recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the performance and independence of the external auditor concluding in a recommendation to the Board on the reappointment of the auditor by shareholders at the Annual General Meeting;
- non-audit fees charged by the external auditor; and
- the formal engagement terms entered into with the external auditor.

## CORPORATE GOVERNANCE REPORT

**The Audit Committee (continued)**

In addition, the Audit Committee monitors the Group's arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other areas including an external whistleblowing service to take calls from employees. For more details on the Group's whistleblowing policy, see page 33.

Significant areas considered by the Audit Committee in relation to the 2021 financial statements are set out below:

Areas of estimates	Matter Considered and Role of the Committee
Impact of Covid-19	<p>The Audit Committee focused on the business response to the Covid-19 pandemic and any key areas of management judgements to ensure that:</p> <ul style="list-style-type: none"> <li>- there was a robust review of key customers and trade receivable provisioning;</li> <li>- there were strong cash management controls in place;</li> <li>- there was sufficient stress testing of the Group's financial position through a full range of possible scenarios as part of the Group's going concern consideration; and</li> <li>- a detailed risk assessment had been undertaken and consideration of the internal control environment had been reviewed to ensure that existing controls were appropriate and the risk of inappropriate management override of controls would be prevented and detected.</li> </ul> <p>In addition, the Audit Committee assessed the impact of Covid-19 on the year end audit process and the ability to deliver an effective and robust audit process respecting social distancing guidance. No material changes were required to the audit approach or processes to support the generation of the financial statements.</p> <p>Covid-19 has also been considered in relation to stakeholder engagement during the year (see Stakeholder Engagement report on page 20) and in respect of the going concern statement disclosed in note 2.</p>
Impairment of goodwill	<p>The Audit Committee considered the carrying value of goodwill at 31 March 2021. The Committee reviewed the validity of cash flow projections and the significant financial assumptions used, including the selection of appropriate discount rate and long-term growth rates. These projections and assumptions were further challenged through the use of sensitivity analysis. As set out in note 12 to the consolidated financial statements, no impairments of goodwill resulted from this exercise and the Committee did not consider that a reasonably possible change in the assumptions would cause an impairment to be recognised.</p>

*\*In the prior year, the Audit Committee considered areas of estimates in relation to business combinations being valuation of intangible assets, fair value adjustments on acquisition and valuation of contingent consideration to be significant areas. In the current year, there have been no acquisitions and the value of contingent consideration is £nil at 31 March 2021. Contingent consideration from the prior year was fully settled in the current year.*

At the invitation of the Committee, meetings may be attended by the Executive Directors. As appropriate, representatives of the external auditors also attend meetings. The Chairman of the Committee also meets separately with senior management and the external auditors. The Company Secretary is Secretary of the Audit Committee.

The Chairman of the Audit Committee reports to the subsequent meeting of the Board on the Committee's work.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### CORPORATE GOVERNANCE REPORT

#### **The Audit Committee (continued)**

The Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors and for making a recommendation to the Board regarding the appointment of external auditors. Deloitte LLP have confirmed to the Committee that, in relation to their services to the Group, they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The auditors are required each year to confirm in writing that they have complied with the independence rules of their profession and regulations governing independence. Before Deloitte LLP takes on any engagement for other services from the Group careful consideration is given as to whether the project could conflict with their role as auditor or impair their independence. In the year ended 31 March 2021, the only non-audit services performed by Deloitte LLP related to the interim review which is a permitted service.

#### **Risk management and internal control**

The approach to risk management and the principal risks themselves are set out on pages 15 and 16. The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year and up to the date of approval of the Annual Report.

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness alongside the Audit Committee. The Directors have established a risk management framework and internal control environment to ensure that an appropriate level of oversight and control is provided. The Group's systems of risk management and internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks relating to those objectives. The controls can by their nature only provide reasonable, not absolute, assurance against material misstatement or loss.

In the current year, the Group has updated its risk management framework and risk assessment to reassess the relevant risks to the Group in order to execute and deliver the Group's strategy. The process involved the Board, Executive Directors and senior management reviewing the financial, operational, market and compliance areas to identify and document significant risks, the probability of those risks occurring, their potential impact and the plans for managing and mitigating each of the risks identified. This is principally captured via a Group risk register and risk map. On an on-going basis, Executive Directors and senior management review the risks facing the business, including the impact of Covid-19 on the Group, and the controls established to minimise those risks and their effectiveness in operation. In the current year, the Board has continued to consider the risks of Covid-19 to the Group as noted in the Chief Executive Officer's report on page 4, Principal Risks and Uncertainties on page 15, Stakeholder Engagement report on page 20 and the Corporate Governance report on page 31.

The key elements of the Group's overall control framework including:

- the Group's strategic plan and annual financial budget are reviewed and approved by the Board;
- financial results with comparisons to plan and forecast results are reported on monthly to the Board alongside operational reporting and significant variances from plan are discussed at Board meetings and actions set in place to address them;
- approval levels for authorisation of expenditure are at set levels and cascaded through the management structure with any expenditure in excess of predefined levels requiring approval from the Executive Directors; and
- the Group has a robust risk framework and risk assessment processes which are regularly reviewed. The Group has extensive internal quality assurance processes in place and appropriate ISO certifications (see page 44 in the Directors' report for details).

The Board has concluded to establish an independent audit function in the coming twelve months to further support the assurance programme. This is likely to be primarily an out sourced function.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### CORPORATE GOVERNANCE REPORT

#### Stakeholder engagement

The Group recognises that long-term success is underpinned by good relations with its key stakeholders, both internal and external, and seeks to take into account the needs of the Group's stakeholders as it discusses matters and makes decisions. The Board considers that the Group's key stakeholders are its shareholders, employees, customers, suppliers and key partners and the environment. During the year, the Board and its Directors confirm they have acted in a way that promotes the success of iomart Group for the benefit of its members as a whole, and in doing so have had regard to the stakeholders and key matters set out in Section 172 of the Companies Act 2006 as disclosed in our Stakeholder Engagement report on pages 17 to 23.

#### Relations with shareholders

The Group maintains a corporate website ([www.iomart.com/investors](http://www.iomart.com/investors)) containing a wide range of information of interest to investors including publicly available financial information and news on the Group. As noted in our Stakeholder Engagement report on page 17, iomart is committed to listening to and communicating openly with its shareholders to ensure that the strategy, business model and performance are communicated. The Chief Executive Officer and Chief Financial Officer have regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's interim and annual financial results. Following major periods of communications, our advisers consolidate feedback, on an anonymised basis, from the relevant parties which then forms the basis of a briefing pack for the Board to ensure awareness of shareholder opinions.

The Group engages in full and open communication with both institutional and private investors and responds promptly to all queries received. The Group does this via investor roadshows, attending investor conferences and regular financial reporting, through the regulatory news service ("RNS") announcements and, in the current year, through our Capital Markets Day held in May 2021. In conjunction with the Group's brokers and other financial and public relations advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Group's progress.

The Board recognises the AGM as an important opportunity to meet shareholders and give them the opportunity to raise questions with the Board. Details of the resolutions being proposed at the AGM can be found on the Group's website. Shareholders are given notice of the AGM at least 21 days prior to the meeting. The Chairman aims to ensure that the Directors, including the Non-Executive Directors, are available at Annual General Meetings to answer questions.

#### Other Matters

##### Workforce engagement and promoting ethical business practices

In the prior year, the Group launched new core values across the Group (see our Stakeholder Engagement report on page 7) and have continued to roll these out in the current year to embed the values in our culture.

We define corporate responsibility as ensuring that we have, or are developing sound policies, practices or programmes that address business transparency and ethics, workplace practices and employee relationships and customer consultation. In practice our commitment to corporate responsibility plays out in a wide variety of ways and includes our employee engagement programme, which is designed to foster an inclusive workplace by encouraging our people to continually improve performance in this area. Key practices include:

- **Anti-Bribery and Corruption** - The Group has a zero tolerance approach to bribery and corruption and is committed to ensuring it has appropriate processes in place to mitigate the risk of bribery and corruption. The Group has a formal business ethics and anti-bribery policy which is outlined in our employee handbook and on our corporate website available to all staff. Staff are required to complete appropriate training to ensure awareness of the Group's policies and what is acceptable business conduct and the policy on accepting gifts. On receipt of a gift of any value, staff are required to complete a gift register form which is submitted to the Executive team for approval.
- **Modern Slavery Act** - The Group is committed to conducting business responsibly and ensuring that our supply chain has ethical employment practices, working conditions and has procedures in place to prevent modern slavery or human trafficking. The Group has an anti-slavery and human trafficking policy in place supported by internal policies and processes to ensure the principles are adhered to. Our Modern Slavery statement, which is updated annually, details processes in place to help manage the risks outlined by the legislation is available on the iomart website.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### CORPORATE GOVERNANCE REPORT

#### Workforce engagement and promoting an ethical business practices (continued)

- Whistleblowing - We recognise the importance of all of our employees and we respect the dignity and rights of all employees and provide clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information. The Group is committed to maintaining high ethical standards in all areas of work and practice and has a detailed whistleblowing policy in place, outlined in the employee handbook and available on our corporate website, for employees to access. There are various ways employees can report their concerns including access to the Executive team and the Audit Committee and access to third party independent advice at any stage.
- Data Privacy policy – The Group has a data protection policy and information security management systems in place to ensure we have appropriate data security systems and processes in place to protect our data and are fully accredited with ISO 27001 ‘Information Security Management Systems’.
- Equal Opportunities - The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees’ skill sets. A fair remuneration policy is adopted throughout our Group. The Group does not tolerate any sexual, physical or mental harassment of its employees and we operate an equal opportunities policy that specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability, or sexual orientation.

#### Brexit

In December 2020, a new trading arrangement was concluded between the United Kingdom and the European Union. We have undertaken a detailed assessment of the impact of the Group, our operations and supply chain which was presented to the Board. The Group is not exposed to any significant risks or impact as a result of the new trading agreement in place, however, we will continue to monitor this throughout the coming year.

#### Re-election

Under the Company’s Articles of Association, at every Annual General Meeting, at least one third of the Directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such retirement will count in obtaining the number required to retire at the AGM. The Articles of Association also stipulate that any new Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Scott Cunningham, Richard Masters and Karyn Lamont will retire from office at the Company’s forthcoming AGM and stand for re-appointment.

#### Going Concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 23 including the potential impact of Covid-19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer’s Report on pages 9 to 14.

Note 28 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has access to a £80m multi option revolving credit facility that matures on 30 September 2022 of which £8m (annually) is available to be drawn on for general business purposes should that be required. The Directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants.

At the end of the financial year, the Group had net debt of £54.6m (2020: £57.6m) a level which the Board is comfortable with given the strong cash generation of the Group. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **CORPORATE GOVERNANCE REPORT**

#### **Going concern (continued)**

The Directors have considered the Group budgets and the cash flow forecasts for the next three financial years, and associated risks, including the continued impact of Covid-19, and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### **AIM Rule Compliance Report**

iomart Group plc is quoted on AIM and as a result the Group has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and provision of draft notifications in advance;
- Ensure that each of the Group's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and ensure that each Director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Directors' Remuneration Report for the year ended 31 March 2021

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021 which sets out our Directors' Remuneration policy and provides details of amounts earned by Directors in respect of the year ended 31 March 2021. In framing its remuneration policy the Remuneration Committee has adopted the Quoted Companies Alliance ("QCA") Remuneration Code for Small and Mid-sized Quoted Companies to ensure that our remuneration policy both reflects our strategy and is aligned with the QCA Remuneration code and shareholders' interests.

As the Company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code 2018 ("Code") issued by the Financial Reporting Council, however, we continue to provide disclosures in addition to that which is required by AIM Rule 19 on a voluntary basis to enable shareholders to understand and consider our remuneration arrangements. In line with best practice, we will also voluntarily submit this report to an advisory shareholder vote at our annual general meeting in August 2021.

#### Remuneration Committee

The Committee is chaired by Richard Masters. Ian Steele, Non-Executive Chairman and Karyn Lamont, Non-Executive Director are also members of the Committee. There were no changes to the composition of the Remuneration Committee in the year. The Executive Directors may attend meetings from time to time at the invitation of the Committee and provide information and support as requested. Directors are not present when their own remuneration is being discussed. The Company Secretary is secretary to the Committee.

The Committee has formal terms of reference which can be found in the investor section of the Group's website. The Committee makes recommendations to the Board, within its terms of reference, on the remuneration and other benefits, including bonuses and share options, of the Executive Directors.

The Committee met four times during the current year. The attendance record for those meetings is included in our Corporate Governance report on page 29.

The Remuneration Committee determines, on behalf of the Board, the Group's policy for executive remuneration and the individual remuneration packages for Executive Directors. Each year, the Remuneration Committee reviews the incentive and reward packages for the Executive Directors to ensure that they are aligned with the Group's strategic objectives and financial performance; are appropriate to attract, retain and motivate executive behaviour in support of the creation of shareholder value; and drive continued commitment of executives to the Group's success through appropriate incentive schemes. In addition, the Remuneration Committee considers the salaries and benefits available to Executive Directors of comparable companies. During the year the Committee took independent professional advice to ensure that the structure of the remuneration of the Executive Directors remained in line with market.

#### Remuneration of Executive Directors

The remuneration packages of the Executive Directors comprise the following elements:

Element	Overview of policy and structure	Opportunity	Performance measures
Base salary	<ul style="list-style-type: none"><li>• The Remuneration Committee sets base salaries to reflect responsibilities and the skill, knowledge and experience of the individual taking into account salary levels in the wider market, including at similar sized businesses.</li><li>• Base salaries are reviewed annually. Where appropriate the Remuneration Committee considers independent expert advice when setting the level of reward packages.</li><li>• The Executive Directors do not receive Directors' fees.</li></ul>	<ul style="list-style-type: none"><li>• The Committee generally reviews base salaries of the Executive Directors with effect from 1 April in each year. This year the decision has been taken to leave salaries unchanged at 1 April 2021 being : CEO – £300,000 CFO – £224,400 Executive Directors salary levels were also left unchanged at 1 April 2020.</li></ul>	n/a

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Remuneration of executive Directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Annual bonus	<ul style="list-style-type: none"><li>• The Executive Directors are eligible to receive an annual bonus dependent on Group and individual performance at the discretion of the Remuneration Committee.</li><li>• Bonuses are normally paid in cash following the year end.</li></ul>	<ul style="list-style-type: none"><li>• The maximum annual bonus opportunity is 135% of base salary.</li></ul>	<ul style="list-style-type: none"><li>• The level of Executive Directors' discretionary bonus payments is determined by a number of factors including the Group's financial performance, its successful continuation of its organic and acquisitive strategy, its continual internal improvement programme and the individual's own performance.</li><li>• For the bonus for the financial year ended 31 March 2021 the performance measure was based primarily on Group adjusted EBITDA performance, with the above criteria taken into account by the Committee when determining payments.</li><li>• For achievement of target bonus of 100% of salary is paid. Executives only receive more than 100% of salary for performance well in excess of target. Bonuses reduce significantly if targets are not achieved with generally no bonuses payable if less than 95% of target is achieved.</li></ul>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Remuneration of executive Directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Performance share plan	<ul style="list-style-type: none"><li>• The Group operates a performance share plan for Executive Directors and managers to reward, retain and incentivise those individuals who have made a major contribution to the Group and will continue to play a key role in helping the Group achieve its objectives in the future.</li><li>• Awards are granted in the form of nominal cost, 1p options.</li><li>• Share options awarded will normally vest after the third anniversary of the date of grant.</li><li>• Participants have 10 years from award to exercise.</li></ul>	<ul style="list-style-type: none"><li>• The maximum award under the performance share plan is 100% of base salary.</li></ul>	<ul style="list-style-type: none"><li>• The vesting of options is subject to the achievement of performance conditions. Normally vesting is also subject to continued employment.</li><li>• Performance is currently assessed based on the achievement of profit targets in three years set with reference to our organic and acquisitive growth strategy and to ensure continued focus on driving profit performance.</li><li>• Options awarded to Scott Cunningham in April 2020 will vest based on Group adjusted EBITDA performance for the March 2023 financial year.</li><li>• Options awarded to the Reece Donovan in April 2020 will vest based on Group adjusted EBITDA performance with one third based on the March 2021 financial year, one third on the March 2022 financial year and one third on the March 2023 financial year. The options due to vest by reference to the March 2021 financial year did not vest and have lapsed.</li></ul>
Pension	<ul style="list-style-type: none"><li>• The Company may make contributions towards an individual's personal pension arrangements or pay an equivalent cash allowance.</li></ul>	<ul style="list-style-type: none"><li>• The maximum contributions or allowance payable by the Company is 10% of basic salary. The CFO received a pension contribution and the CEO received a cash allowance in the year ended 31 March 2021. From 1 April 2021 both the CEO and CFO will receive a cash allowance.</li></ul>	n/a

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Remuneration of executive Directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Benefits	<ul style="list-style-type: none"><li>• The Executive Directors are entitled to life insurance cover, death in service benefits and to participate in the Group's Private Medical Insurance scheme. Other role-appropriate benefits may also be provided.</li><li>• The Group operates a Sharesave scheme for all employees including Executive Directors.</li></ul>	n/a	n/a

#### Service contracts

Executive Directors are engaged under service contracts which require the following notice periods:

Scott Cunningham	6 months
Reece Donovan	12 months

Non-Executive Directors have a 6 month notice period.

#### Chairman and Non-Executive Director fees

The fees paid to the Non-Executive Directors are determined by the Board. Non-Executive Directors are paid £40,000 per annum for Board Director duties with additional fees of £5,000 per annum paid to the Audit and Remuneration Committee Chairman to reflect the additional time required to fulfil these roles.

Non-Executive Directors are not entitled to receive any bonus or other benefits with the exception of Angus MacSween who retains private medical insurance. Non-Executive Directors are entitled to reasonable expenses incurred in the performance of their duties.

The Chairman receives a fee of £75,000 per annum.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Directors' Remuneration for the year ended 31 March 2021

Details of individual Director's remuneration for the year are as follows (this information has been audited):

					Year ended 31 March 2021	Year ended 31 March 2020
	Salary or fees	Bonus <sup>3</sup>	Benefits	Pension	Total	Total
	£	£	£	£	£	£
<b>Executive Directors</b>						
Reece Donovan <sup>1</sup>	302,308	189,490	2,872	30,000	524,670	-
Scott Cunningham	224,400	100,155	2,500	22,440	349,495	379,482
Angus MacSween <sup>2</sup>	182,963	-	3,512	-	186,475	582,879
<b>Non-Executive Directors</b>						
Ian Steele	75,000	-	-	-	75,000	75,000
Richard Masters	45,000	-	-	-	45,000	45,000
Karyn Lamont	45,000	-	-	-	45,000	45,000
Angus MacSween <sup>3</sup>	20,000	-	-	-	20,000	-

<sup>1</sup> Reece Donovan was appointed to the Board on 30 March 2020 as COO and accordingly his salary for two days of £2,308 is excluded in the prior year disclosure in the table above and is included in the current year. On 1 October 2020, Reece was appointed as CEO.

<sup>2</sup> Angus MacSween was CEO until 1 October 2020 and was appointed as Non-Executive Director on the same date.

<sup>3</sup> Included in Reece Donovan's bonus was a one-off sum of £27,243 paid on his recruitment by iomart Group plc in compensation for loss of payments from his previous employment. Excluding this amount, the bonus payable to Reece Donovan represents 40% of the maximum payable bonus. The bonus payable to Scott Cunningham represents 33% of the maximum payable bonus.

#### Directors' interests in shares

The Directors holding office at 31 March 2021 held beneficial interests in the issued share capital of the Company as shown in the following table:

Name of Director	Number of ordinary shares	
	At 31 March 2021	At 1 April 2020
Angus MacSween	17,003,409	17,003,409
Scott Cunningham <sup>1</sup>	13,000	8,000
Reece Donovan <sup>2</sup>	3,250	nil
Ian Steele <sup>3</sup>	10,000	nil
Richard Masters	6,000	6,000
Karyn Lamont	nil	nil

<sup>1</sup> On 10 February 2021, Scott Cunningham's spouse purchased 5,000 shares at a price of 318.0p taking total shareholding to 13,000 shares.

<sup>2</sup> On 3 December 2020, Reece Donovan purchased 3,250 shares each at a price of 315.0p.

<sup>3</sup> On 29 October 2020, Ian Steele purchased 10,000 shares each at a price of 309.5p

#### Share price

The market price of the Company's shares at the end of the financial year was 313.0p (2020: 270.0p) and the range of prices during the year was between 279.0p (2020: 229.0p) and 375.0p (2020: 405.0p).

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

**Directors' interests in share options** (this information has been audited)

The interests of the Directors at 31 March 2021 in options over the ordinary shares of the Company were as follows:

Name of Director	At 1 April 2020	Exercised	Granted	Lapsed	At 31 March 2021	Exercise price	Date of Grant	Date from which exercisable	Expiry date
Reece	-	-	107,143	(107,143)	-	1p	06/04/2020	06/04/2023	06/04/2030
Donovan, Executive Director	-	-	107,143	-	107,143	1p	06/04/2020	06/04/2023	06/04/2030
	-	-	107,143	-	107,143	1p	06/04/2020	06/04/2023	06/04/2030
	-	-	6,521	-	6,521	276.0p	04/09/2020	01/10/2023	31/03/2024
	<u>-</u>	<u>-</u>	<u>327,950</u>	<u>(107,143)</u>	<u>220,807</u>				
Scott Cunningham, Executive Director	31,687	-	-	-	31,687	1p	04/09/2018	04/09/2021	04/09/2028
	54,321	-	-	-	54,321	1p	04/09/2018	04/09/2021	04/09/2028
	54,321	-	-	(54,321)	-	1p	04/09/2018	04/09/2021	04/09/2028
	64,669	-	-	-	64,669	1p	09/05/2019	09/05/2022	09/05/2029
	-	-	80,143	-	80,143	1p	06/04/2020	06/04/2023	06/04/2030
	-	-	6,521	-	6,521	276.0p	04/09/2020	01/10/2023	31/03/2024
	<u>204,998</u>	<u>-</u>	<u>86,664</u>	<u>(54,321)</u>	<u>237,341</u>				
Angus MacSween, Non-Executive Director	113,334	-	-	-	113,334	1p	27/03/2013	31/05/2014	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2015	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2016	27/03/2023
	117,480	-	-	-	117,480	1p	25/09/2014	25/09/2017	25/09/2024
	175,575	-	-	-	175,575	1p	28/08/2015	28/08/2018	28/08/2025
	134,281	-	-	-	134,281	1p	01/04/2016	01/04/2019	01/04/2026
	129,848	-	-	-	129,848	1p	12/04/2017	12/04/2020	12/04/2027
	3,560	(3,560)	-	-	-	252.8p	18/08/2017	01/10/2020	31/03/2021
	107,674	-	-	(35,532)	72,142	1p	04/04/2018	04/04/2021	04/04/2028
	2,777	-	-	-	2,777	324.0p	01/11/2018	01/11/2021	31/03/2022
	115,999	-	-	-	115,999	1p	09/05/2019	09/05/2022	09/05/2029
	-	-	130,688	(65,344)	65,344	1p	06/04/2020	06/04/2023	06/04/2030
	<u>1,127,194</u>	<u>(3,560)</u>	<u>130,688</u>	<u>(100,876)</u>	<u>1,153,446</u>				

During the year options over 532,260 ordinary shares (2020: 180,668) were granted to Directors under the unapproved share option performance share plan with an average exercise price of 1.0p per share (2020: 1.0p per share). Options over 13,042 ordinary shares (2020: nil) were granted to Directors under the sharesave scheme in the current year at an average exercised price of 276.0p per share. During the year 262,340 ordinary shares under the unapproved share option scheme lapsed (2020: nil). 3,560 options were exercised under the sharesave scheme during the year (2020: nil).

By order of the Board



**Richard Masters**  
Chairman, Remuneration Committee  
15 June 2021

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2021.

#### **Principal activity**

The principal activity of the Group is the provision of managed cloud services. The Group's principal subsidiary undertakings are listed in note 14 to the financial statements. The Group's registered number is SC204560.

#### **Financial risk management objectives and policies**

The Group's financial instruments comprise cash and liquid resources, bank loans and leases together with various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The multi option revolving credit facility of £80m is able to be used by the Group to finance acquisitions, capital expenditure, general business purposes (up to a maximum of £8m each year) and for the issue of guarantees, bonds or indemnities. The facility is available until September 2022 at which point any advances made under the multi option revolving credit facility become immediately repayable. Each drawdown made under this facility can be for either 3 or 6 months and can either be, at the discretion of the Company, repaid or continued at the end of the period. Interest is charged on this loan at an annual rate determined by the sum of the multi option revolving credit facility margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin is fixed at 1.5% (2020: 1.5%) per annum and a non-utilisation fee of 40% (2020: 40%) of the multi option revolving credit facility margin is due on any undrawn portion of the full £80m multi option revolving credit facility. The effective interest rate for the multi option revolving credit facility in the current year was 1.61% (2020: 2.17%).

The Group has net debt at 31 March 2021 of £54.6m (2020: £57.6m). Net debt comprises lease liabilities totalling £24.9m (2020: £20.3m), the Group bank facility totalling £52.8m (2020: £52.8m) and cash and cash equivalent of £23.0m (2020: £15.5m).

The Group is not exposed to material movements in interest rates on its bank borrowings.

The Group has exposure to movements in the exchange rate of the US dollar as certain domain name purchases and licences are transacted in this currency. To protect cash flows against the level of exchange rate risk, the Group entered into forward exchange contracts to hedge foreign exchange exposures arising on the forecast payments. The majority of transactions of the parent company and the UK subsidiaries are in UK sterling and, with the exception of forward foreign exchange contracts, the Group does not use derivative instruments. Additional information on financial instruments is included in note 28.

#### **Dividend**

The Directors declared an interim dividend for the year ended 31 March 2021 of 2.60p per share (2020: 2.60p). The Directors recommend a final dividend for the year ended 31 March 2021 of 4.50p per share (2020: 3.93p per share). This final dividend, together with the interim dividend, takes the total dividend to 7.10p per ordinary share for the 2021 financial year (2020: 6.53p). Subject to shareholder approval this proposed final dividend would be payable on 3 September 2021 to shareholders on the register at close on 13 August 2021.

#### **Research and development**

The Group develops cloud computing products including private cloud platforms, hybrid cloud platforms, virtual platforms, online backup and storage solutions and email related products.

#### **Future developments**

The Group's business review and activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 3 to 23.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### DIRECTORS' REPORT

#### Directors and their interests

The present membership of the Board is set out on pages 24 and 25 and the Directors who served during the year are listed on page 40. In accordance with the Articles of Association, Scott Cunningham, Richard Masters and Karyn Lamont offer themselves for re-election at the forthcoming annual general meeting.

Details of Directors' interests in the Group's shares are set out in the Report of the Board to the Members on Directors' Remuneration on 36 to 41.

#### Insurance for Directors and Officers

The Group may under the Company's Articles of Association, and subject to the provisions of the Companies Act, indemnify all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their powers, including but not limited to any liability for the costs of legal proceedings where judgement is given in their favour. This indemnity was in place during the financial year and is ongoing up to the date of this report. In addition, the Group has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

#### Donations

It is the Group's policy not to make donations for political purposes.

#### Substantial shareholdings

At 28 May 2021 the following interests in 3% or more of the issued ordinary share capital, excluding shares held by the iomart Group plc Employee Benefit Trust, had been notified to the Company:

Shareholder	Shares	Percentage held
Liontrust Asset Management	18,494,106	16.86%
Angus MacSween	17,003,409	15.50%
Octopus Investments	16,577,474	15.11%
Investec Wealth & Investment	6,690,902	6.10%
Noble Grossart Investment Limited	3,325,000	3.03%

#### Employees

The Group regularly communicates with all staff providing information on developments within the Group including updates on the Group's strategy and details of new products and services provided by the Group. Information on our engagement with employees in the current year and our regard to this stakeholder on the principal decisions taken by the Company during the financial year is included in the Stakeholder Engagement report on pages 17 to 23.

We are committed to attracting and retaining the highest level of personnel. We seek to achieve this through, amongst other things, the application of high standards in recruitment. We are aware of the importance of good communication in relationships with staff and we have a policy of encouraging training. A number of employees participate in the growth of the business through the ownership of share options with some employees also participating in a bonus scheme. Staff are eligible to receive share options in the Company under the Group's performance share plan (note 25) and it is the Board's policy to make specific awards as appropriate to attract and retain the best available people. Options in respect of Directors are detailed in the Directors Remuneration Report on page 41.

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

The Company encourages employees to support the community. In the current year, a number of employees attended a charity day to volunteer safely as a part of a team to make improvements to a local charity food-growing project. Employees can also donate to charity through a payroll Give as You Earn Scheme.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### DIRECTORS' REPORT

#### Customers and suppliers

The Group seeks to be honest and fair in all relationships with customers and encourages feedback from our customers through account managers and engagement with individual customers through customer support teams. On a regular basis we engage with customers to obtain feedback on our performance.

The Group treats all of its suppliers with the utmost respect and seeks to be honest and fair in all relationships with them. We seek to honour the terms and conditions of our agreements in place with such suppliers and subcontractors.

Additionally, we recognise the importance to the Group and our suppliers of complying with all payment terms and we report on a half-yearly basis on our payment practices, policies and performances in line with the Reporting on Payment Practices and Performance Regulations 2017.

Information on our engagement with customers and suppliers and our regard to these stakeholders on the principal decisions taken by the Group during the financial year is included in the Stakeholder Engagement report on pages 17 to 23.

#### Environmental Reporting

##### Greenhouse Gas ("GHG") Emissions reporting

iomart seeks to minimise the impact of our operations on the environment and is committed to reducing its greenhouse gas ("GHG") emissions. Key sources of energy, primarily electricity to power our data centre estate, are monitored by the Group to allow us to be continually mindful of our energy consumption. iomart applies a set of global environmental standards to all of our activities and our environmental and energy management systems are certified to ISO 14001 and ISO 50001 (internationally accepted environmental standards). These certifications provide a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering improvements.

The table below shows total energy consumption used to calculate emissions and the total gross GHG emissions in tonnes of CO<sub>2</sub> ("tCO<sub>2</sub>e") in the year ended 31 March 2021:

	Year ended 31 March 2021	Year ended 31 March 2020
Energy consumption used to calculate emissions (kWh)	57,956,041	54,943,145
Scope 1 - Emissions from combustion of gas	-	-
Scope 1 - Emissions from combustion of fuel for transport purposes	-	-
Scope 2 - Emissions from purchased electricity (location-based)*	13,504	14,008
Scope 2 - Emissions from purchased electricity (market-based)	-	-
Scope 3 - Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing fuel	4	29
<b>Total gross emissions (tCO<sub>2</sub>e)</b>	<b>13,508</b>	<b>14,037</b>

\*The prior year scope 2 emissions were 12,549 tCO<sub>2</sub>e and have been restated to 14,008 tCO<sub>2</sub>e to include acquisitions under full operational control at 31 March 2020.

	Year ended 31 March 2021	Year ended 31 March 2020
Total gross emissions (tCO <sub>2</sub> e)	13,508	14,037
Total recurring revenue (£'000)**	100,211	96,136
<b>Carbon Intensity ratio (tCO<sub>2</sub>e/£)</b>	<b>0.000135</b>	<b>0.000146</b>

\*\*The prior year was our first reporting under SECR and we reported our carbon intensity ratio using total revenue. In the current year, we are reporting the current year and prior year using total recurring revenue (note 3) as we believe this is a more reflective denominator and the best indicator of our power efficiency.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### DIRECTORS' REPORT

#### Greenhouse Gas ("GHG") Emissions reporting (continued)

##### Methodology

There are no scope 1 direct emissions from the combustion of gas. Scope 2, indirect emissions, include consumption of purchased electricity in kWh. Scope 3 emissions relate to business travel in employee-owned vehicles where the Company is responsible for purchasing the fuel.

Using an operational control approach, the Group identified its population to ensure that all activities and facilities, including data centres, are being recorded and reported in line with the mandatory GHG Protocol Corporate Accounting and Reporting Standard. Relevant data is prepared on a monthly basis by our external energy management supplier. The validity, accuracy and completeness of the data was checked and used to calculate the GHG emissions for the Group. Where energy consumption data was missing, we used accepted estimation techniques by the GHG Protocol. Emissions were calculated as activity data multiplied by emission factors (DEFRA, 2020 for all emissions and conversion factors). During the calculation of Scope 3 transport emissions, the statistics of the Vehicle Licensing Statistics (VEH0203) was used to divide the business mileage by fuel type. The driven miles were converted into litres with average DEFRA 2020 conversion values used.

The Group uses total recurring revenue to calculate the intensity ratio as this allows emissions to be monitored over time taking into accounts changes in the size of the Group. This factor provides the greatest degree of accuracy and is the metric best aligned to power usage and business growth.

##### Energy efficiency

The proactive management of our GHG emissions is central to iomart operations with a clear focus on controlling and reducing our GHG and carbon footprint. The Group aims to improve energy efficiency of its operations and ensure continued compliance with ISO 50001:2011 as the basis for its energy management arrangements and has committed to:

- setting targets and objectives for reducing energy use and maintaining an energy efficiency programme;
- managing and reducing energy use relating to our business premises;
- respecting all existing, applicable environmental regulations and meeting all new applicable regulations;
- setting targets in the form of energy performance indicators for electricity and energy consumption and power usage effectiveness targets for each of our data centres;
- providing training on good energy management practices and encouraging employee involvement in energy efficiency improvement initiatives; and
- the Group participates in the Energy Saving Opportunities Scheme (ESOS) with annual ESOS audits carried out throughout the Group and is committed to meeting the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

Despite the Covid-19 pandemic, the Group implemented energy efficiency actions in the current year. In the prior year, the Board approved capital spend to install upgraded cooling and main plant systems in our central London data centre and the installation of this upgrade is currently in progress. In the current year, we have continued with a programme of installing LED lighting in our key data centres.

The Group engages an external partner, Schneider Electric, to support our sustainability and energy efficiency programme. Schneider Electric continues to support the Board in development of an appropriate renewable energy and carbon strategy and provide regular updates through reports to the Executive Board to manage ongoing performance. As part of our environmental and wider sustainability programme, in the current year, the Board approved the commitment to purchase Renewable Energy Guarantees of Origin ("REGO") certified renewable electricity across our UK data centre estate, effective from July 2021 for the remaining period of our current electrical supply agreement which expires in September 2022. We will continue to focus on our environmental programme in the coming year including working with Schneider Electric on our carbon strategy and setting appropriate carbon reduction targets.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **DIRECTORS' REPORT**

#### **Greenhouse Gas ("GHG") Emissions reporting (continued)**

##### **Energy efficiency (continued)**

During the year we also started working with Katrick Technology Limited, a start-up company based in Glasgow focused on innovative engineering technologies who have developed patented means to capture unharnessed energy within a data centre. We are pleased to say we signed an alliance agreement in June 2021 and will begin an exploratory project with them at our Glasgow data centre later this year.

For more detail on how the Board have had regard to the environment in key strategic decisions in the year, see our Stakeholder Engagement report on pages 17 to 23.

#### **Independent Auditor and disclosure of information to auditor**


The Directors confirm that each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**Andrew McDonald**  
*Company Secretary*  
15 June 2021

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### DIRECTORS' RESPONSIBILITIES STATEMENT

#### Responsibility Statement

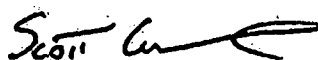
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 15 June 2021 and is signed on its behalf by:



**Reece Donovan**  
*Chief Executive Officer*  
15 June 2021



**Scott Cunningham**  
*Chief Financial Officer*  
15 June 2021

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC**

#### **Report on the audit of the financial statements**

#### **1. OPINION**

In our opinion:

- the financial statements of iomart Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirement of the Companies Act 2006;
- parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 29 for the consolidated financial statements; and
- the related notes 1 to 16 for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **2. BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC

#### 3. SUMMARY OF OUR AUDIT APPROACH

<b>Key audit matters</b>	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"><li>• Completeness and valuation of deferred income.</li></ul>
<b>Materiality</b>	The materiality that we used for the group financial statements was £1,164k which was determined on the basis of 3.0% of earnings before interest, tax, depreciation and amortisation.
<b>Scoping</b>	Our audit covered 84% of the Group's revenue, 89% of the Group's profit before tax, 96% of the Group's net assets and 79% of the Group's earnings before interest, tax, depreciation and amortisation.
<b>Significant changes in our approach</b>	Our approach is consistent with the previous year with the exception of: <ul style="list-style-type: none"><li>- Business combinations: valuation and allocation of acquired intangible assets is no longer a key audit matter on the basis there have been no business combinations in the current year.</li><li>- The impact of the Covid-19 pandemic on going concern is no longer a key audit matter. At the date of the prior period audit report, there was significant uncertainty in the economy as a whole. Since then, the group has traded profitably and operated within its debt facilities such that going concern is no longer considered to be a key audit matter.</li></ul>

#### 4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Testing the arithmetical accuracy of management's going concern model;
- Challenging the reasonableness of the scenarios identified based on our understanding of the business and key assumptions used by management in determining the impact of the Covid-19 pandemic on going concern;
- Assessing the headroom in the forecasts and the sensitivity analysis performed by management;
- Recalculating management's forecast covenant compliance calculations throughout the going concern period; and
- Assessing the adequacy of disclosures related to the impact of the Covid-19 pandemic on going concern made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**5. KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**5.1. Completeness and valuation of deferred income**

<b>Key audit matter description</b>	<p><b>The Group has deferred income of £13,519k (2020: £13,427k) split between current (£10,857k, 2020: £11,144k) and non-current (£2,662k, 2020: £2,283k) included within trade and other payables.</b></p> <p>A significant proportion of the Group's activities are invoiced in advance, resulting in a material deferred income balance being recorded in the financial statements at year-end.</p> <p>Due to the high volume of customer balances being deferred and the fact that the deferral calculation is performed across a range of systems and by a range of staff, we have determined there is potential for fraud through a possible manipulation of this balance.</p> <p>Deferred income is included within note 18 of the financial statements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>The audit procedures we performed in respect of this matter included:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the process undertaken by management to calculate deferred income, and testing of key controls within three of the full scope components;</li> <li>• Testing the balance through recalculating the full deferred income balance in each entity based on contract start and end dates;</li> <li>• Selecting samples from the listing, agreeing the underlying amounts to customer contracts where applicable;</li> <li>• Performing cut-off testing in each entity, selecting a sample of pre and post year-end sales and evaluating whether any deferred element was calculated correctly; and</li> <li>• Recalculating current and non-current liability classification based on underlying schedules.</li> </ul>
<b>Key observations</b>	<p>We concluded that the completeness and valuation of deferred income recorded in the financial statements is appropriately stated.</p>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC

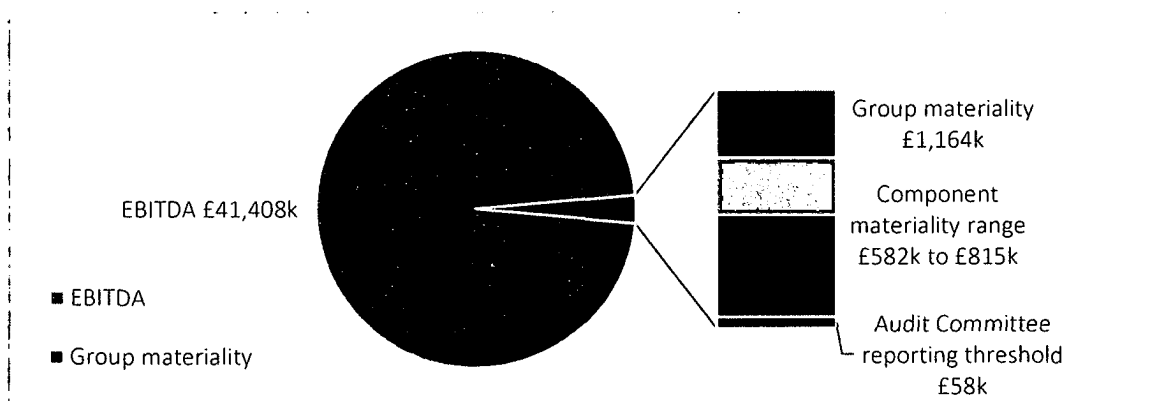
#### 6. OUR APPLICATION OF MATERIALITY

##### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£1,164k (2020: £1,254k)	£582k (2020: £627k)
<b>Basis for determining materiality</b>	3.0% of earnings before interest, tax, depreciation and amortisation (2020: 3.0% of earnings before interest, tax, depreciation and amortisation adjusted to exclude the gain on the revaluation of contingent consideration). In the prior year, the gain on the revaluation of contingent consideration had been deemed to be non-recurring in nature.	0.6% of net assets (2020: 0.6% of net assets), capped at 50% (2020: 50%) of Group materiality.
<b>Rationale for the benchmark applied</b>	We have used EBITDA measure as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has equal prominence to statutory measures in the Annual Report.	We have used net assets as the benchmark for our determination of materiality as the parent company is not a trading entity and instead holds the Group's investments in subsidiaries. We consider net assets to be the appropriate metric for such an entity.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC

#### 6. OUR APPLICATION OF MATERIALITY (CONTINUED)

##### 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% (2020: 60%) of Group materiality	70% (2019: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality we considered the following factors: <ul style="list-style-type: none"><li>As this is our second year of engagement and we have developed our understanding from the prior year, we increased the % used to determine performance materiality to 70%;</li><li>Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls within the revenue business process in three of the full scope components; and</li><li>Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior period.</li></ul>	

##### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £58k (2020: £63k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

#### 7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

##### 7.1 Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment through discussion with IT and the Group finance teams and by performing walkthroughs of processes across each of these areas, including Group-wide controls, and assessing the risk of material misstatement at a Group level.

For components deemed significant to the Group, full scope audit procedures were performed to materiality levels applicable to each entity, which was lower than the Group materiality level. Components deemed significant are as follows:

- iomart Hosting Limited
- Easyspace Limited
- iomart Cloud Services Limited
- Cristie Data Limited

One further entity, Bytemark Limited, was subject to specified audit procedures based on the materiality of individual balances.

The remaining non-significant components were subject to analytical reviews. Our audit work on these components was executed at Group materiality.

At the Group level, we also tested the consolidation process.

All work was performed by the Group engagement team.

There are a number of components that were deemed to be significant in the prior year, which are non-significant in the current year.

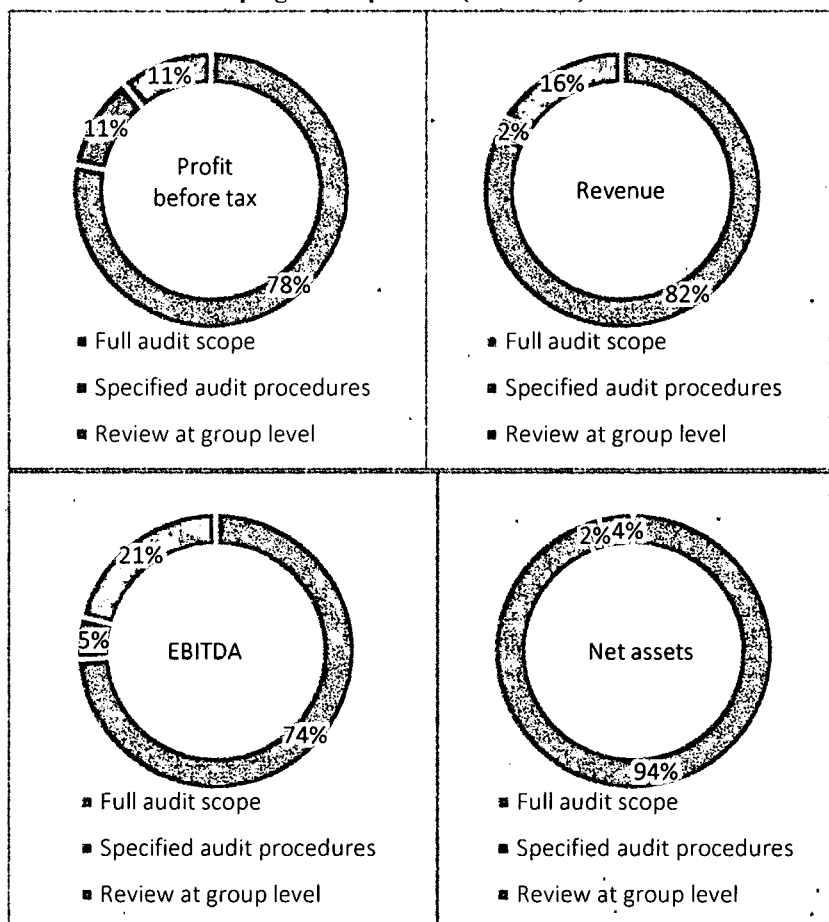
# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC

#### 7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)

##### 7.1 Identification and scoping of components (continued)



##### 7.2 Our consideration of the control environment

With the involvement of our IT specialists, we obtained an understanding of the relevant IT environment by performing walkthroughs of key processes and, in some instances, performed testing on the relevant general IT controls and business cycles. We took a controls reliance approach on the relevant controls for three of the full scope components within the revenue business process cycle.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC**

#### **8. OTHER INFORMATION**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.
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#### **9. RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC**

#### **11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

##### **11.1 Identifying and assessing potential risks related to irregularities**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the completeness and valuation of deferred income. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This includes UK Employment, Environmental Regulations and Labour Laws.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC**

#### **11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD (CONTINUED)**

##### **11.2 Audit response to risks identified**

As a result of performing the above, we identified completeness and valuation of deferred income as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

##### **Report on other legal and regulatory requirements**

#### **12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC**

#### **13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

##### **13.1 Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

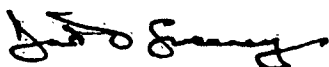
##### **13.2 Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter

#### **14. USE OF OUR REPORT**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**David Sweeney, CA (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
Statutory Auditor  
Glasgow  
15 June 2021

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	3	111,883	112,581
Cost of sales		(44,241)	(44,093)
<b>Gross profit</b>		<b>67,642</b>	<b>68,488</b>
Administrative expenses		(53,230)	(51,387)
<b>Operating profit</b>	4	<b>14,412</b>	<b>17,101</b>
<b>Analysed as:</b>			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share-based payments		<b>41,408</b>	<b>43,510</b>
Share-based payments	25	(1,247)	(1,243)
Acquisition costs	6	(493)	(438)
Depreciation	4	(16,882)	(15,635)
Amortisation – acquired intangible assets	4	(5,457)	(6,159)
Amortisation – other intangible assets	4	(2,917)	(2,934)
Gain on revaluation of contingent consideration	19	33	1,856
Finance income	7	19	39
Finance costs	7	(2,000)	(2,212)
<b>Profit before taxation</b>		<b>12,464</b>	<b>16,784</b>
Taxation	9	(2,260)	(3,135)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>10,204</b>	<b>13,649</b>
<b>Other comprehensive income</b>			
<i>Amounts which may be reclassified to profit or loss</i>			
Currency translation differences		(94)	98
<b>Other comprehensive income for the year</b>		<b>(94)</b>	<b>98</b>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>10,110</b>	<b>13,747</b>
<b>Basic and diluted earnings per share</b>			
Basic earnings per share	11	9.3p	12.5p
Diluted earnings per share	11	9.1p	12.2p

All of the activities of the Group are classed as continuing. The following notes form part of the financial statements.

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets – goodwill	12	86,479	86,479
Intangible assets – other	12	18,101	24,631
Trade and other receivables	13	502	2,760
Property, plant and equipment	15	77,012	72,344
Deferred tax	10	138	-
		<b>182,232</b>	<b>186,214</b>
<b>Current assets</b>			
Cash and cash equivalents	17	23,038	15,497
Trade and other receivables	16	22,979	23,237
Current tax asset		235	-
		<b>46,252</b>	<b>38,734</b>
<b>Total assets</b>		<b>228,484</b>	<b>224,948</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	18	(2,662)	(2,283)
Non-current borrowings	20	(74,221)	(70,109)
Provisions	21	(2,097)	(1,956)
Deferred tax	10	-	(1,146)
		<b>(78,980)</b>	<b>(75,494)</b>
<b>Current liabilities</b>			
Contingent consideration due on acquisitions	19	-	(2,480)
Trade and other payables	18	(29,495)	(31,948)
Current tax liabilities		-	(3)
Current borrowings	20	(3,437)	(3,029)
		<b>(32,932)</b>	<b>(37,460)</b>
<b>Total liabilities</b>		<b>(111,912)</b>	<b>(112,954)</b>
<b>Net assets</b>		<b>116,572</b>	<b>111,994</b>
<b>EQUITY</b>			
Share capital	23	1,097	1,092
Own shares	24	(70)	(70)
Capital redemption reserve		1,200	1,200
Share premium		22,495	22,147
Merger reserve		4,983	4,983
Foreign currency translation reserve		(44)	50
Retained earnings		86,911	82,592
<b>Total equity</b>		<b>116,572</b>	<b>111,994</b>

These financial statements were approved by the Board of Directors and authorised for issue on 15 June 2021.

Signed on behalf of the Board of Directors



Reece Donovan  
Director and Chief Executive Officer  
iomart Group plc – Company Number: SC204560

The following notes form part of the financial statements.

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS

### Year ended 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Profit before taxation</b>		<b>12,464</b>	<b>16,784</b>
Gain on revaluation of contingent consideration	19	(33)	(1,856)
Finance costs – net	7	1,981	2,173
Depreciation	15	16,882	15,635
Amortisation	12	8,374	9,093
Share-based payments	25	1,247	1,243
Movement in trade receivables		2,516	(1,107)
Movement in trade payables		268	(627)
<b>Cash flow from operations</b>		<b>43,699</b>	<b>41,338</b>
Taxation paid		(3,643)	(4,719)
<b>Net cash flow from operating activities</b>		<b>40,056</b>	<b>36,619</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	15	(15,192)	(14,688)
Proceeds received from disposal of property, plant and equipment		260	-
Development costs	12	(1,306)	(1,405)
Purchase of intangible assets	12	(561)	(1,065)
Proceeds received from disposal of intangible assets		73	-
Payments for current period acquisitions net of cash		-	(4,156)
Contingent consideration paid	19	(2,447)	-
Finance income received	7	19	39
<b>Net cash used in investing activities</b>		<b>(19,154)</b>	<b>(21,275)</b>
<b>Cash flow from financing activities</b>			
Issue of shares	23	353	636
Drawdown of bank loans	20	1,150	6,150
Repayment of lease liabilities	22	(5,435)	(4,686)
Repayment of bank loans	20	(1,150)	(2,000)
Finance costs paid		(1,147)	(1,734)
Dividends paid	8	(7,132)	(8,282)
<b>Net cash used in financing activities</b>		<b>(13,361)</b>	<b>(9,916)</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,541</b>	<b>5,428</b>
Cash and cash equivalents at the beginning of the year		15,497	10,069
<b>Cash and cash equivalents at the end of the year</b>	17	<b>23,038</b>	<b>15,497</b>

The following notes form part of the financial statements.

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Note	Share capital £'000	Own shares EBT £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2019</b>		1,085	(70)	(48)	1,200	21,518	4,983	75,729	104,397
Profit for the year		-	-	-	-	-	-	13,649	13,649
Currency translation differences		-	-	98	-	-	-	-	98
<b>Total comprehensive income</b>		-	-	98	-	-	-	13,649	13,747
Dividends – final (paid)	8	-	-	-	-	-	-	(5,448)	(5,448)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,834)	(2,834)
Share-based payments	25	-	-	-	-	-	-	1,243	1,243
Deferred tax on share-based payments	10	-	-	-	-	-	-	253	253
Issue of share capital	23	7	-	-	-	629	-	-	636
<b>Total transactions with owners</b>		7	-	-	-	629	-	(6,786)	(6,150)
<b>Balance at 31 March 2020</b>		1,092	(70)	50	1,200	22,147	4,983	82,592	111,994
Profit for the year		-	-	-	-	-	-	10,204	10,204
Currency translation differences		-	-	(94)	-	-	-	-	(94)
<b>Total comprehensive income</b>		-	-	(94)	-	-	-	10,204	10,110
Dividends – final (paid)	8	-	-	-	-	-	-	(4,287)	(4,287)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,845)	(2,845)
Share-based payments	25	-	-	-	-	-	-	1,247	1,247
Issue of share capital	23	5	-	-	-	348	-	-	353
<b>Total transactions with owners</b>		5	-	-	-	348	-	(5,885)	(5,532)
<b>Balance at 31 March 2021</b>		1,097	(70)	(44)	1,200	22,495	4,983	86,911	116,572

The nature of equity in the statement of changes in equity is disclosed in the accounting policies (note 2).

The following notes form part of the financial statements.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 1. GENERAL INFORMATION

iomart Group plc is a public listed company listed on the Alternative Investment Market ("AIM"), incorporated and domiciled in the United Kingdom and registered in Scotland under the Companies Act 2006. The address of the registered office is Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. The nature of the Group's operations and its principal activities are set out in the Strategic Report and Directors' Report.

The financial statements are presented in UK Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### Audit exemption of subsidiaries

For the year ended 31 March 2021, the following subsidiaries of the Group were entitled to exemption from audit under s479A of the Companies Act 2006.

Subsidiary	Registered number
Bytemark Holdings Limited	08150076
Bytemark Limited	04484629
iomart Datacentres Limited	05532548
London Data Exchange Limited	07772407
LDeX Connect Limited	06389332
LDeX Group Limited	08777552
Melbourne Server Hosting Limited	04091836
Memset Limited	04504980
Netintelligence Limited	SC325326
Redstation Limited	03590745
ServerSpace Limited	05958069
SimpleServers Limited	06813119
Sonassi Holding Company Limited	09248696
Sonassi Limited	07715859
Switch Media Limited	04510647
SystemsUp Limited	05212115
Tier 9 Limited	08903379
United Communications Limited	03651923



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**New and revised IFRSs in issue but not yet effective and have not been adopted by the Group**

At the date of authorisation of these financial statements, the following standards, interpretations and amendments have been issued but are not yet effective and have no material impact on the Group's financial statements:

- IFRS 17 - Insurance Contracts;
- IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 3 - Definition of a business;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018-2020 Cycle – IFRS 9 Financial Instruments, IFRS 16 Leases

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

**Adoption of new and revised Standards - amendments to IFRS that are mandatorily effective for the current year**

The Group applied the amendments to IAS 1 and IAS 8 Definition of Material for the first time as this is effective for annual periods beginning on or after 1 January 2020. The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Directors consider that this amendment had no impact on the financial statements of the Group, nor is there expected to be any future impact to the Group.

**Summary of Accounting Policies**

**Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2021. Under IFRS 10, control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As each of the divisions within the Group are 100% wholly owned subsidiaries, the Group has full control over each of its investees.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are eliminated on consolidation and the underlying value of the asset transferred is tested for impairment. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

**Business Combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (continued)**

**Business Combinations (continued)**

Where the Group's assessment of the net fair value of a subsidiary's identifiable assets acquired and liabilities assumed is less than the fair value of the consideration including contingent consideration of the business combination then the excess is treated as goodwill. Where the Group's assessment of the net fair value of a subsidiary's net assets and liabilities exceeds the fair value of the consideration including contingent consideration of the business combination then the excess is recognised through profit or loss immediately.

Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

**Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow from the transaction and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on prior experience, taking into consideration the type of customer and the type of transaction.

The Group will typically enter multi-element contracts where more than one service is provided such as a private cloud platform combined with an online backup portal, and in such instances the delivery of these multi-element contracts are treated as a single performance obligation. Revenue is then subsequently recognised over the period of service delivery when the criteria for recognition has been met. Revenue recognised at a point in time predominantly consists of both software and hardware sales in which revenue is recognised at the point in which the customer receives the goods (note 3). Revenue recognition policies in our operating segments are as follows:

**Cloud Services**

This operating segment provides managed cloud computing infrastructure and services including consultancy. Revenue from the sale of cloud computing infrastructure and managed services is recognised on an over time basis over the life of the agreement and only after the service has been established. Set-up fees charged on contracts are spread over the life of the contract. Consultancy services are generally provided on a "time and materials" basis and therefore revenue is recognised as these services are rendered. Revenue from the supply of hardware or software, and the provision of services in respect of installation or training, is recognised when delivery and installation of the equipment is completed on a point in time basis. Any unearned portion of revenue is included in payables as deferred revenue.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 2. ACCOUNTING POLICIES (continued)

#### Revenue (continued)

##### Easyspace

This operating segment provides domain name registration and hosting services. Revenue from the provision of domain names is split between the registration of the domain and the ongoing services associated with each domain registration. The registration of the domain is recognised on a point in time basis, whilst the ongoing service associated with each domain registration is spread over the length of the registration. Revenue from the provision of hosting services is recognised evenly over the period of the service on an over time basis and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

##### Exceptional costs

The Group defines exceptional items as costs incurred by the Group which relate to material non-recurring costs. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

##### Interest

Interest is recognised on an accruals basis using the effective interest method.

##### Intangible assets

##### *Goodwill*

Goodwill represents the excess of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Impairments to goodwill are charged to profit or loss in the period in which they arise.

##### *Intangible assets - customer relationships*

Customer relationships are recognised only on acquisition. The fair value is derived based on discounted cash flows from estimated recurring revenue streams. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed for each acquisition separately. Amortisation is charged straight line over the useful life of the relationships in proportion to the estimated future cash flows, a period which is generally between five and eight years.

##### *Intangible assets - research and development*

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The costs which do meet the criteria range from new product development to the enhancement of existing services such as mail platforms. The scope of the development team's work continues to evolve as the Group continues to deliver business critical solutions to a growing customer base. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be three years for all developments capitalised. Amortisation charges are recognised through profit or loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (continued)**

**Intangible assets (continued)**

***Intangible assets - software***

Software is recognised at cost on purchase or fair value on acquisition and amortised on a straight-line basis over its useful economic life, which does not generally exceed five years for purchased software or eight years in the case of acquired software.

**Acquisition costs**

In accordance with IFRS 3 Business Combinations costs incurred on professional fees and attributable internal acquisition costs are not included in the overall cost of the investment in the acquired business. Consequently, these acquisition costs are included as administrative expenses in the consolidated statement of comprehensive income. In addition, the costs associated with integrating the acquired businesses into the Group are also included in this category. The combination of both these types of expenses is also shown in the consolidated statement of comprehensive income as acquisition costs.

**Alternative performance measures**

In addition to measuring financial performance of the Group based on statutory profit measures, the Group also measures performance based on adjusted EBITDA, adjusted profit before tax and adjusted diluted earnings per share.

***Adjusted EBITDA***

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and any gains or losses on revaluation of contingent consideration. Adjusted EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies, particularly in the sector that the Group operates.

The Group considers adjusted EBITDA to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating the charges mentioned above. It is not a direct measure of liquidity, which is shown in the consolidated statement of cash flows, and needs to be considered in the context of the Group's financial commitments.

***Adjusted profit before tax***

Adjusted profit before tax is defined as profit before tax adjusted for the following:

- amortisation charges on acquired intangible assets;
- share-based payment charges;
- where bank facilities are restructured during the year any accelerated write off of arrangement fees;
- M&A activity including:
  - professional fees;
  - any non-recurring integration costs;
  - any gain or loss on the revaluation of contingent consideration where it is material;
  - any interest charge on contingent consideration; and
- Any material non-recurring costs where their removal is necessary for the proper understanding of the underlying profit for the period.

The Group considers adjusted profit before tax to be a useful measure of performance because it eliminates the impact of certain non-recurring items including those associated with acquisitions and other charges commonly excluded from profit before tax by investors and analysts for valuation purposes.

***Adjusted diluted earnings per share***

Adjusted diluted earnings per share is calculated by taking the adjusted profit before tax as described after deducting an appropriate taxation charge and dividing by the total weighted average number of ordinary shares in issue during the year and adjusting for the dilutive potential ordinary shares relating to share options. The Group considers adjusted diluted earnings per share to be a useful measure of performance for the same reasons as adjusted profit before tax. In addition, it is used as the basis for consideration to the level of dividend payments.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment**

Property, plant and equipment is stated at cost net of depreciation and any provision for impairment. Leasehold property is included in property, plant and equipment only where it is held under IFRS 16.

**Disposal of assets**

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Depreciation**

Depreciation is calculated to write down the cost of all property, plant and equipment to the expected residual value by equal annual instalments over their estimated useful economic lives. All items of plant and equipment have immaterial residual values. The straight line rates generally applicable are:

Freehold property	Between 2.00% and 3.33% per annum
Leasehold improvements	Between 6% and 10% per annum
Data centre equipment	Between 6% and 10% per annum
Computer equipment	Between 20% and 50% per annum
Office equipment	Between 10% and 25% per annum
Motor vehicles	25% per annum

**Leases**

A lease is defined as a contract, or part of a contract, that conveys the right to use of an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and the Group has the right to direct the use of the identified asset throughout the period of use.

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability measured at the present value of future lease payments, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses the right-of-use asset for impairment under IAS 36 'Impairment of Assets' where such indicators exist.

Lease liabilities are presented on two separate lines in the balance sheet for amounts due within one year and amounts due after more than one year. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot readily be determined, the Group applies an incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the liability by payments made. The Group re-measures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed or a lease contract is modified and the modification is not accounted for as a separate lease.

Lease payments included in the measurement of the lease liability can be made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients available under IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (continued)**

**Leases (continued)**

Under IFRS 16, the Group recognises depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income over the period of the lease. On the balance sheet, right-of-use assets have been included in property, plant and equipment and software and lease liabilities have been included in borrowings due within one year and after more than one year.

Under IFRS 16, the Group also separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows. In the prior year, operating rental costs were presented within operating activities.

**Impairment testing of goodwill, other intangible assets and property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Management estimate expected future cash flows from each cash generating unit and determine a suitable interest rate to calculate the present value of the future cash flows. Discount factors are determined for each cash generating unit to reflect the underlying risks involved. The future cash flows used in the calculation are based on the Group's latest approved budget.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

**Borrowings**

Borrowings are initially stated at fair value after deduction of any issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period. Borrowings are subsequently stated at amortised cost, any difference between the periods (net of transaction costs) and the redemption value is recognised through profit or loss over the period of the borrowings using the effective interest method. Where borrowings are repaid early and new loan facilities agreed the terms of each loan facility are compared. Where the terms of the new borrowings are significantly different from those of the previous borrowings, the previous borrowings are treated as extinguished rather than modified as prescribed under IFRS 9.

**Trade and other receivable - lease deposits**

Rental and re-instatement deposits for leasehold premises are included in the consolidated statement of financial position as either non-current assets or current assets depending on the length of time to maturity. Where lease deposits are interest earning the amount of deposit is not discounted and where they are not interest earning they are discounted at an appropriate rate.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (continued)**

**Reinstatement costs**

The Group has made alterations to properties which it occupies under lease arrangements. These lease arrangements contain provision for reinstatement of the property to its original condition at the Group's cost at the end of the lease should the landlord require that to happen. In respect of property leases which contain such a reinstatement provision the estimated cost of the reinstatement is provided in the financial statements. The discounted value of the expected cost of reinstatement is recorded as a leasehold improvement within property, plant and equipment and is then depreciated over the remaining term of the lease. A matching provision is recognised at the same time which is increased over the period of the lease by way of an interest charge such that the estimated cost of the reinstatement has been fully provided at the end of the lease period.

**Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**Taxation**

The income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

Current tax is the tax currently payable based on taxable profit for the year and any adjustment to tax payable in respect of prior years. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

**Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full and are generally recognised for all taxable temporary differences, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset and the Group intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (continued)**

**Deferred tax (continued)**

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are recognised directly in other comprehensive income or equity (such as share-based remuneration) in which case the related deferred tax is also recognised in other comprehensive income or equity accordingly.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

**Financial assets**

Financial assets under IFRS 9 include trade, other receivables, prepayments and accrued income, cash and cash equivalents and lease deposits.

**Classification and measurement of financial assets**

The Group classifies financial assets into three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income ("FVTOCI"); and
- financial assets measured at fair value through profit or loss ("FVTPL").

The classification of financial assets is based on the Group's business model for managing the financial asset and the contractual cash flow characteristics associated with the financial asset. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs on initial recognition. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administrative expenses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial derivatives such as forward foreign exchange contracts and interest rate swaps are carried at fair value through profit or loss subsequent to initial recognition.

**Impairment of financial assets**

IFRS 9 requires an expected credit loss ("ECL") model which requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss ("FVTPL"). The main financial asset that is subject to the new expected credit loss model is trade receivables, which consist of billed receivables arising from contracts.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Impairment of financial assets (continued)**

While cash and cash equivalents, accrued income and lease deposits held at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group has applied the IFRS 9 simplified approach to measuring forward-looking expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The ECL model reflects a probability weighted amount derived from a range of possible outcomes. To measure the ECL, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix based on the payment profiles of sales over a twenty four month period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including, in the current year the impact of Covid-19 and other macroeconomic factors as relevant.

Provision against trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date.

**Financial liabilities**

**Classification and measurement of financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised through profit or loss. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs through profit or loss. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or when it expires. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Hedge accounting**

The hedge accounting requirements of IFRS 9 do not impact the Group financial liabilities.

**Foreign currency transactions**

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the rates ruling at that date. Any gains or losses arising on assets and liabilities between the date of recording and the date of settlement are treated as gains or losses through profit or loss. Forward foreign exchange contracts used to hedge the Group's exposure to foreign currency transactions are fair valued at the balance date and the gain or loss is recognised through profit or loss for the period.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with maturities of three months or less from inception and which are subject to an insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Dividends**

Dividend distributions payable to equity shareholders are included in the financial statements within 'other short term financial liabilities' when a final dividend is approved in a general meeting. Interim dividend distributions to equity shareholders approved by the Board are not included in the financial statements until paid.

**Equity**

Equity comprises the following:

- "share capital" represents the nominal value of equity shares;
- "own shares EBT" represents the amount of the Company's own equity shares, plus attributable transaction costs, that is held by the Company within the iomart Group plc Employee Benefit Trust;
- "share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "merger reserve" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, when ordinary share capital is included in the consideration for business acquisitions;
- "capital redemption reserve" represents set aside reserves in relation to previous redemption of own shares;
- "foreign currency translation reserve" represents all exchange differences on the translation of the results and financial position of Group entities that have a functional currency different from the presentation currency; and
- "retained earnings" represents retained profits and share-based payment reserve.

**Employee benefits - pensions**

The Group contributes to an auto-enrolment pension scheme and also to a number of personal pension schemes on behalf of Executive Directors and some senior employees. The pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

**Share-based payments**

The Group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration plans are ultimately recognised as an expense through profit or loss with a corresponding credit to 'retained earnings'.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share-based incentives expected to vest differs from previous estimates. The three main vesting conditions that apply to share options relate to the achievement of annual objectives, continuous employment and achievement of Group results. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share-based incentives ultimately exercised are different to that estimated on vesting.

Upon exercise of share-based incentives the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Segmental reporting**

The Group provides segmental reporting on a basis consistent with the provision of internal financial information used for decision making purposes by the Chief Operating Decision-Maker. Internal reports are produced on a basis consistent with the accounting policies adopted in the Group's financial statements.

The Group calculates geographical information on the basis of the location of the customer.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 23 including the potential impact of Covid-19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 9 to 14.

Note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has access to a £80m multi option revolving credit facility that matures on 30 September 2022 of which £8m (annually) is available to be drawn on for general business purposes should that be required. The Directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants.

At the end of the financial year, the Group had net debt of £54.6m (2020: £57.6m) a level which the Board is comfortable with given the strong cash generation of the Group. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks.

The Directors have considered the Group budgets and the cash flow forecasts for the next three financial years, and associated risks, including the potential impact of Covid-19, and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Critical accounting judgements and key sources of estimation uncertainty**

The Group do not consider that there are any critical accounting judgements or key sources of estimation uncertainty in the preparation of the financial statements for the year ended 31 March 2021 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**3. SEGMENTAL ANALYSIS**

The Chief Operating Decision-Maker has been identified as the Chief Executive Officer (“CEO”) of the Company. The Group has two operating segments and the CEO reviews the Group’s internal reporting which recognises these two segments in order to assess performance and to allocate resources. The Group has determined its reportable segments which are also its operating segments based on these reports.

The Group currently has two operating and reportable segments being Easyspace and Cloud Services.

- Easyspace – this segment provides a range of shared hosting and domain registration services to micro and SME companies.
- Cloud Services – this segment provides managed cloud computing facilities and services, through a network of owned data centres, to the larger SME and corporate markets. The segment uses several routes to market including iomart Cloud, Infrastructure as a Service (IaaS), SystemsUp, Cristie Data, Sonassi, I.DeX, Bytemark and Memset.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) before any allocation of Group overheads, charges for share-based payments, costs associated with acquisitions and any gain or loss on revaluation of contingent consideration and material non-recurring items. This segment EBITDA is used to measure performance as the CEO believes that such information is the most relevant in evaluating the results of the segment.

The Group’s EBITDA for the year has been calculated after deducting Group overheads from the EBITDA of the two segments as reported internally. Group overheads include the cost of the Board, all the costs of running the premises in Glasgow, the Group marketing, human resource, finance and design functions and legal and professional fees.

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The assets and liabilities of the Group are not reviewed by the Chief Operating Decision-Maker on a segment basis. Therefore none of the Group’s assets and liabilities are segmental assets and liabilities and are all unallocated for segmental disclosure purposes. For that reason the Group has not disclosed details of segmental assets and liabilities.

All segments are continuing operations. No customer accounts for 10% or more of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 3. SEGMENTAL ANALYSIS (CONTINUED)

## Operating Segments

## Revenue by Operating Segment

	2021 £'000	2020 £'000
Easyspace	11,939	12,792
Cloud Services	99,944	99,789
	<b>111,883</b>	<b>112,581</b>

Cloud Services revenue during the year can be further disaggregated as follows:

	2021 £'000	2020 £'000
Cloud managed services	57,961	54,590
Self-managed infrastructure	30,311	28,009
Non-recurring revenue	11,672	17,190
	<b>99,944</b>	<b>99,789</b>

The nature of these three offerings are explained within the Chief Executive Officer report on page 6.

## Recurring and Non-recurring Revenue

The amount of recurring and non-recurring revenue recognised during the year can be summarised as follows:

	2021 £'000	2020 £'000
Recurring - over time	100,211	95,391
Non-recurring - point in time	11,672	17,190
	<b>111,883</b>	<b>112,581</b>

## Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. There is no single country where revenues are individually material other than the United Kingdom. The United Kingdom is the place of domicile of the parent company, iomart Group plc.

## Analysis of Revenue by Destination

	2021 £'000	2020 £'000
United Kingdom	97,113	95,333
Rest of the World	14,770	17,248
Revenue from operations	<b>111,883</b>	<b>112,581</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2021**

**3. SEGMENTAL ANALYSIS (CONTINUED)**

**Profit by Operating Segment**

	2021			2020		
	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs and share-based payments £'000	Operating profit/(loss) £'000	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs and share-based payments £'000	Operating profit/(loss) £'000
Easyspace	5,343	(1,165)	4,178	5,649	(1,459)	4,190
Cloud Services	40,482	(24,091)	16,391	42,307	(23,269)	19,038
Group overheads	(4,417)	-	(4,417)	(4,446)	-	(4,446)
Acquisition costs	-	(493)	(493)	-	(438)	(438)
Share-based payments	-	(1,247)	(1,247)	-	(1,243)	(1,243)
	41,408	(26,996)	14,412	43,510	(26,409)	17,101
Gain on revaluation of contingent consideration			33			1,856
Group interest and tax			(4,241)			(5,308)
<b>Profit for the year</b>			<b>10,204</b>			<b>13,649</b>

Group overheads, acquisition costs, share-based payments, interest and tax are not allocated to segments.

**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting) the following:

	2021 £'000	2020 £'000
Staff costs excluding development costs capitalised	22,049	21,317
Depreciation of property, plant and equipment:		
- Owned assets	13,160	12,411
- Right-of-use assets (note 22)	3,722	3,224
Short-term and low value lease expense (note 22)	1,578	1,662
Amortisation of intangibles:		
- Acquired intangible assets	5,457	6,159
- Other intangible assets	2,632	2,744
- Right-of-use assets (note 22)	285	190
Bad debt expense	650	633
Net foreign exchange loss/(gain)	211	(99)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 4. OPERATING PROFIT (CONTINUED)

Included within administrative expenses are fees paid to the Group's auditor's as follows:

	2021 £'000	2020 £'000
<b>Auditor's remuneration</b>		
<b>Audit services:</b>		
- Fees payable for the audit of the consolidation and the parent company financial statements	69	80
- Fees payable for audit of subsidiaries, pursuant to legislation – UK	121	121
- Fees payable for audit of subsidiaries, pursuant to legislation – International	14	8
<b>Total audit services fees</b>	<b>204</b>	<b>209</b>
<b>Non-audit services:</b>		
- Interim review	23	22
<b>Total non-audit services fees</b>	<b>23</b>	<b>22</b>
<b>Total Auditor's remuneration</b>	<b>227</b>	<b>231</b>

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £'000	2020 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments	1,246	1,127
Share-based payments	163	796
<b>Total Directors' emoluments</b>	<b>1,409</b>	<b>1,923</b>

Emoluments payable to the highest paid Director are as follows:

	2021 £'000	2020 £'000
<b>Aggregate emoluments</b>	<b>525</b>	<b>583</b>

During the year the Company made personal pension contributions to personal pension schemes of the Directors or paid a pension allowance of £52,440 (2020: £22,000).

The aggregate amount of gains realised by Directors, who served during the year, on the exercise of share options during the year was £3,532 (2020: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The detailed numerical analysis of Directors' remuneration and share options is included in the Report of the Board to the Members on Directors' Remuneration on pages 36 to 41.

	2021 No.	2020 No.
<b>Average number of persons employed by the Group (including Directors):</b>		
Technical	264	244
Sales and marketing	117	112
Administration	49	49
	<b>430</b>	<b>405</b>
	2021 £'000	2020 £'000
<b>Staff costs of the Group during the year in respect of employees and Directors were:</b>		
Wages and salaries	18,950	18,832
Social security costs	2,795	2,309
Pension costs	363	338
Share-based payments	1,247	1,243
	<b>23,355</b>	<b>22,722</b>

The Group operates a stakeholder pension scheme and also contributes to a number of personal pension schemes on behalf of executive Directors and some senior employees. In the case of executive Directors, details of the pension arrangements are given within the Report of the Board to the Members on Directors' Remuneration on pages 36 to 41. In the case of senior employees, pension contributions to individuals' personal pension arrangements are payable by the Group at a rate equal to the contribution made by the senior employee subject to a maximum employer contribution of 5% of basic salary.



# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 6. ACQUISITION COSTS

	2021 £'000	2020 £'000
Professional fees	44	207
Non-recurring acquisition integration costs	449	231
<b>Total acquisition costs</b>	<b>493</b>	<b>438</b>

### 7. NET FINANCE COSTS

	2021 £'000	2020 £'000
<b>Finance income:</b>		
Bank interest receivable	19	39
<b>Finance income for the year</b>	<b>19</b>	<b>39</b>
<b>Finance costs:</b>		
Bank loan	(1,190)	(1,545)
Interest on lease liabilities	(732)	(649)
Other interest charges	(78)	(18)
<b>Finance costs for the year</b>	<b>(2,000)</b>	<b>(2,212)</b>
<b>Net finance costs</b>	<b>(1,981)</b>	<b>(2,173)</b>

### 8. DIVIDENDS PAID ON SHARES CLASSED AS EQUITY

	2021 Pence per share	2021 £'000	2020 Pence per share	2020 £'000
<b>Paid during the year:</b>				
<b>Final dividend (proposed in the prior year)</b>				
Equity dividends on ordinary shares	3.93p	4,287	5.01p	5,448
<b>Interim dividend</b>				
Equity dividends on ordinary shares	2.60p	2,845	2.60p	2,834
<b>Total dividend paid in cash</b>		<b>7,132</b>		<b>8,282</b>

The Directors have recommended a final dividend for the year ended 31 March 2021 of 4.50p per share (2020: 3.93p per share). Subject to shareholder approval this proposed final dividend would be payable on 3 September 2021 to shareholders on the register at close on 13 August 2021.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 9. TAXATION

	2021 £'000	2020 £'000
Corporation Tax:		
Tax charge for the year	(3,448)	(3,976)
Adjustment relating to prior years	(100)	357
<b>Total current taxation charge</b>	<b>(3,548)</b>	<b>(3,619)</b>
Deferred Tax:		
Origination and reversal of temporary differences	1,266	367
Adjustment relating to prior years	18	266
Effect of different statutory tax rates of overseas jurisdictions	4	(13)
Effect of changes in tax rates	-	(136)
<b>Total deferred taxation credit</b>	<b>1,288</b>	<b>484</b>
<b>Total taxation charge</b>	<b>(2,260)</b>	<b>(3,135)</b>

The differences between the total taxation charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2021 £'000	2020 £'000
Profit before tax	12,464	16,784
Tax charge @ 19% (2020: 19%)	2,368	3,189
Expenses disallowed for tax purposes and non-taxable income	33	20
Tax effect of net gain on revaluation of contingent consideration	(6)	(353)
Adjustments in current tax relating to prior years	100	(357)
Tax effect of different statutory tax rates of overseas jurisdictions	10	6
Movement in deferred tax relating to changes in tax rates	-	136
Tax effect of share-based remuneration	(259)	651
Movement in unprovided deferred tax related to development costs	-	40
Movement in unprovided deferred tax related to property, plant and equipment	32	69
Movement in deferred tax relating to prior years	(18)	(266)
<b>Total taxation charge for the year</b>	<b>2,260</b>	<b>3,135</b>

The weighted average applicable tax rate for the year ended 31 March 2021 was 19% (2020: 19%). The effective rate of tax for the year, based on the taxation charge for the year as a percentage of the profit before tax is 18.1% (2020: 18.7%).

Deferred tax assets and liabilities at 31 March 2021 have been calculated based on the rate of 19% enacted at the balance sheet date (2020: 19%). It is expected that the 25% UK corporation tax rate announced by the UK government in March 2021 will be enacted in the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 10. DEFERRED TAX

The Group recognised deferred tax assets and liabilities as follows:

	2021 £'000	2020 £'000
Share-based remuneration	1,332	1,069
Capital allowances temporary differences	1,363	1,364
Deferred tax on acquired assets with no capital allowances	(40)	(88)
Deferred tax on customer relationships	(2,356)	(3,298)
Deferred tax on intangible software	(161)	(193)
<b>Deferred tax asset/(liability)</b>	<b>138</b>	<b>(1,146)</b>

At the year end, the Group had no unused tax losses (2020: £nil) available for offset against future profits.

The movement in the deferred tax account during the year was:

	Share-based remuneration £'000	Capital allowances temporary differences £'000	Development costs £'000	Deferred tax on acquired assets with no capital allowances £'000	Customer relationships £'000	Intangible software £'000	Total £'000
Balance at 1 April 2019	1,378	1,632	(422)	(157)	(3,173)	(197)	(939)
Acquired on acquisition of subsidiaries	-	(82)	-	-	(875)	-	(957)
Credited to equity	253	-	-	-	-	-	253
(Charged)/credited to statement of comprehensive income	(724)	(373)	472	87	1,131	27	620
Effect of different tax rates of overseas jurisdictions	-	7	-	-	6	-	13
Effect of changes in tax rates	162	180	(50)	(18)	(387)	(23)	(136)
<b>Balance at 31 March 2020</b>	<b>1,069</b>	<b>1,364</b>	<b>-</b>	<b>(88)</b>	<b>(3,298)</b>	<b>(193)</b>	<b>(1,146)</b>
Credited/(charged) to statement of comprehensive income	263	(8)	-	48	953	32	1,288
Effect of different tax rates of overseas jurisdictions	-	7	-	-	(11)	-	(4)
<b>Balance at 31 March 2021</b>	<b>1,332</b>	<b>1,363</b>	<b>-</b>	<b>(40)</b>	<b>(2,356)</b>	<b>(161)</b>	<b>138</b>

The deferred tax asset in relation to share-based remuneration arises from the anticipated future tax relief on the exercise of share options.

The deferred tax on capital allowances temporary differences arises mainly from plant and equipment in the Cloud Services segment where the tax written down value varies from the net book value.

The deferred tax on development costs in the prior year arose from development expenditure on which tax relief was received in advance of the amortisation charge.

The deferred tax on acquired assets arises from data centre equipment acquired through the acquisition of iomart Datacentres Limited on which depreciation is charged but on which there are no capital allowances available.

The deferred tax on customer relationships and intangible software arises from permanent differences on acquired intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 11. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting any own shares held in Treasury and held by the Employee Benefit Trust. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year, after deducting any own shares, and adjusting for the dilutive potential ordinary shares relating to share options.

**Total operations**

	2021 £'000	2020 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	10,204	13,649
Weighted average number of ordinary shares:	No 000	No 000
Called up, allotted and fully paid at start of year	109,160	108,510
Own shares held by Employee Benefit Trust	(141)	(141)
Issued share capital in the year	230	436
<b>Weighted average number of ordinary shares - basic</b>	<b>109,249</b>	<b>108,805</b>
Dilutive impact of share options	2,416	2,861
<b>Weighted average number of ordinary shares - diluted</b>	<b>111,665</b>	<b>111,666</b>
Basic earnings per share	9.3 p	12.5 p
Diluted earnings per share	9.1 p	12.2 p

<b>Adjusted earnings per share</b>	2021 £'000	2020 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	10,204	13,649
- Amortisation of acquired intangible assets	5,457	6,159
- Acquisition costs	493	438
- Share-based payments	1,247	1,243
- Gain on revaluation of contingent consideration	(33)	(1,856)
- Tax impact of adjusted items	(1,341)	(1,406)
<b>Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders</b>	<b>16,027</b>	<b>18,227</b>
Adjusted basic earnings per share	14.7 p	16.8 p
Adjusted diluted earnings per share	14.4 p	16.3 p

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 12. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Acquired customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
<b>Cost</b>							
At 1 April 2019	85,382	9,193	52,766	8,039	86	280	155,746
Additions	-	-	-	2,490	-	-	2,490
Currency translation differences	-	-	38	(33)	-	-	5
Acquired on acquisition of subsidiaries	1,097	-	4,610	-	-	56	5,763
Disposals	-	-	-	(173)	-	-	(173)
Development cost capitalised	-	1,405	-	-	-	-	1,405
<b>At 31 March 2020</b>	<b>86,479</b>	<b>10,598</b>	<b>57,414</b>	<b>10,323</b>	<b>86</b>	<b>336</b>	<b>165,236</b>
Additions	-	-	-	561	-	-	561
Currency translation differences	-	-	(78)	(57)	-	-	(135)
Disposals	-	-	(73)	-	-	-	(73)
Development cost capitalised	-	1,306	-	-	-	-	1,306
<b>At 31 March 2021</b>	<b>86,479</b>	<b>11,904</b>	<b>57,263</b>	<b>10,827</b>	<b>86</b>	<b>336</b>	<b>166,895</b>
<b>Accumulated amortisation:</b>							
At 1 April 2019	-	(6,866)	(33,795)	(4,164)	(48)	(280)	(45,153)
Charge for the year	-	(1,507)	(6,159)	(1,420)	(7)	-	(9,093)
Currency translation differences	-	-	-	(53)	-	-	(53)
Disposals	-	-	-	173	-	-	173
<b>At 31 March 2020</b>	<b>-</b>	<b>(8,373)</b>	<b>(39,954)</b>	<b>(5,464)</b>	<b>(55)</b>	<b>(280)</b>	<b>(54,126)</b>
Charge for the year	-	(1,446)	(5,457)	(1,455)	(7)	(9)	(8,374)
Currency translation differences	-	-	82	90	-	-	172
Disposals	-	-	13	-	-	-	13
<b>At 31 March 2021</b>	<b>-</b>	<b>(9,819)</b>	<b>(45,316)</b>	<b>(6,829)</b>	<b>(62)</b>	<b>(289)</b>	<b>(62,315)</b>
<b>Carrying amount:</b>							
<b>At 31 March 2021</b>	<b>86,479</b>	<b>2,085</b>	<b>11,947</b>	<b>3,998</b>	<b>24</b>	<b>47</b>	<b>104,580</b>
At 31 March 2020	86,479	2,225	17,460	4,859	31	56	111,110

Of the total additions in the year of £561,000 (2020: £2,490,000), no amounts related to leases under IFRS 16 (note 22) (2020: £1,425,000). There were no amounts included in trade payables at the year end (2020: £nil). Consequently, the consolidated statement of cash flows discloses a figure of £561,000 (2020: £1,065,000) as the cash outflow in respect of intangible asset additions in the year.

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administrative expenses in the statement of comprehensive income.

Included within customer relationships are the following significant net book values: £1.9m in relation to the acquisitions of Memset Limited with a remaining useful life of 7 years, the managed private cloud business of ServerChoice Limited of £1.8m with a useful life of 7 years, Bytemark Limited with a net book value of £0.8m and LDEx Group Limited of £2.0m both with a remaining useful life of 6 years, Sonassi Limited of £2.5m, Dediserve Limited of £0.9m, SimpleServers Limited of £0.5m all three with a remaining useful life of 5 years.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 12. INTANGIBLE ASSETS (CONTINUED)

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2020: £nil) arose as a result of this review. For this review goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations.

The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	2021 £'000	2020 £'000
Easyspace	23,315	23,315
Cloud Services	63,164	63,164
	<b>86,479</b>	<b>86,479</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five year period. These projections are the result of detailed planning and assume similar levels of organic growth as the Group has experienced in the previous years. As outlined previously, management remain confident in sustaining such levels of growth despite the on-going Covid-19 pandemic. The impact of the pandemic has been considered in great detail when finalising these projections and they are perceived to be a reliable basis upon which to base our impairment testing.

The growth rates and margins used to extrapolate estimated future performance continue to be based on past growth performance adjusted downwards to take into account the additional risk due to the passage of time. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The growth rates used to estimate future performance beyond the periods covered by the annual and strategic planning processes do not exceed the long-term average growth rates for similar products.

In determining the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management continue to apply the judgement that there are two distinct CGUs within the Group, namely Cloud Services and Easyspace. These segments have been derived with due consideration to IAS 36. The assumptions used for the CGU included within the impairment reviews are as follows:

	Easyspace		Cloud Services	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Discount rate	14.0%	13.1%	14.0%	12.5%
Future perpetuity rate	0.0%	0.0%	2.5%	2.0%
Initial period for which cash flows are estimated (years)	5	5	5	5

Based on an analysis of the impairment calculation's sensitivities to changes in key parameters (growth rate, discount rate and pre-tax cash flow projections) there was no reasonably possible scenario where the CGU's recoverable amount would fall below its carrying amount.

## 13. TRADE AND OTHER RECEIVABLES – NON-CURRENT

Non-current trade and other receivables relates to lease deposits of £502,000 (2020: £2,760,000) which are made up of a rental deposit of £502,000 (2020: £784,000) and a reinstatement deposit of £nil (2020: £1,976,000). On 23 June 2020, the lease of our London data centre was extended by five years to June 2035 and, as part of this extension, £2,340,000 was returned to the Group. The remaining rental deposit is due to be repaid at the end of the lease which at the earliest is June 2035.

The Group is due to receive interest on the lease deposits at the prevailing market rate and therefore they have not been discounted.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 14. SUBSIDIARIES

The following are subsidiaries and have all been consolidated in the Group financial statements:

	Country of registration and operation*	Activity	Owned by the company %	Owned by subsidiary undertakings %
Backup Technology Limited	England	Dormant	100	-
Bytemark Holdings Limited	England	Non-trading	100	-
Bytemark Limited	England	Managed hosting services	-	100
Cristie Data Limited	England	Provision of data storage, backup and virtualisation solutions	100	-
Dediserve Limited	Republic of Ireland	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
iomart Cloud Services Limited	Scotland	Managed hosting services	100	-
iomart Datacentres Limited	England	Non-trading	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Limited	Scotland	Dormant	100	-
LDeX Connect Limited	England	Connectivity services	100	-
LDeX Group Limited	England	Non-trading	100	-
London Data Exchange Limited	England	Colocation services	100	-
Melbourne Server Hosting Limited	England	Non-trading	100	-
Memset Limited	England	Managed hosting services	100	-
Netintelligence Limited	Scotland	Dormant	100	-
Rapidswitch Limited	England	Dormant	100	-
Redstation Limited	England	Non-trading	100	-
ServerSpace Limited	England	Non-trading	100	-
SimpleServers Limited	England	Managed hosting services	100	-
Sonassi Holding Company Limited	England	Non-trading	100	-
Sonassi Limited	England	Managed hosting services	100	-
Switch Media Limited	England	Non-trading	100	-
Systems Up Limited	England	Consultancy services	100	-
Tier 9 Limited	England	Non-trading	100	-
United Communications Limited	England	Non-trading	100	-

\*All subsidiaries with a country of registration in England have a registered office of 3<sup>rd</sup> Floor, 11-21 Paul Street, London, EC2A 4JU. All subsidiaries with a country of registration in Scotland have a registered office of Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. The registered office of Dediserve Limited is 13-18 City Quay, Dublin 2. The registered office of iomart Cloud Inc is Miracle Mile Plaza, 601 21<sup>st</sup> Street, Suite 300, Vero Beach, FL 32960.

All of the above subsidiaries are wholly owned by iomart Group plc or one of its subsidiary companies and operate in the country of registration. The Group controls 100% of the ordinary share capital of each subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold property and improve- ments £'000	Data centre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost:</b>							
At 1 April 2019	8,910	7,943	23,457	81,611	2,920	31	124,872
Additions in the year	-	21,287	1,482	14,847	57	11	37,684
Acquisition of subsidiaries	-	457	1,192	1,540	-	2	3,191
Disposals in the year	-	(16)	(18)	(622)	(206)	(21)	(883)
Currency translation differences	-	-	-	216	-	-	216
<b>At 31 March 2020</b>	<b>8,910</b>	<b>29,671</b>	<b>26,113</b>	<b>97,592</b>	<b>2,771</b>	<b>23</b>	<b>165,080</b>
Additions in the year	-	9,157	1,966	10,504	40	-	21,667
Disposals in the year	(179)	-	-	-	-	-	(179)
Currency translation differences	-	(134)	-	127	-	-	(7)
<b>At 31 March 2021</b>	<b>8,731</b>	<b>38,694</b>	<b>28,079</b>	<b>108,223</b>	<b>2,811</b>	<b>23</b>	<b>186,561</b>
<b>Accumulated depreciation:</b>							
At 1 April 2019	(418)	(3,510)	(13,635)	(58,372)	(1,868)	(24)	(77,827)
Charge for the year	(279)	(3,610)	(1,853)	(9,625)	(262)	(6)	(15,635)
Disposals in the year	-	16	18	622	206	21	883
Currency translation differences	-	-	-	(157)	-	-	(157)
<b>At 31 March 2020</b>	<b>(697)</b>	<b>(7,104)</b>	<b>(15,470)</b>	<b>(67,532)</b>	<b>(1,924)</b>	<b>(9)</b>	<b>(92,736)</b>
Charge for the year	(265)	(4,541)	(1,753)	(10,089)	(226)	(8)	(16,882)
Disposals in the year	25	-	-	-	-	-	25
Currency translation differences	-	(30)	-	74	-	-	44
<b>At 31 March 2021</b>	<b>(937)</b>	<b>(11,675)</b>	<b>(17,223)</b>	<b>(77,547)</b>	<b>(2,150)</b>	<b>(17)</b>	<b>(109,549)</b>
<b>Carrying amount:</b>							
<b>At 31 March 2021</b>	<b>7,794</b>	<b>27,019</b>	<b>10,856</b>	<b>30,676</b>	<b>661</b>	<b>6</b>	<b>77,012</b>
At 31 March 2020	8,213	22,567	10,643	30,060	847	14	72,344

During the year there were additions of £63,000 (2020: £824,000) in respect of reinstatement provisions (note 21) and additions of £8,683,000 (2020: £20,540,000) in respect of leases under IFRS 16 (note 22). Of the total remaining additions in the year of £12,921,000 (2020: £16,320,000), £977,000 (2020: £3,185,000) was included in trade payables as unpaid invoices at the year end resulting in a net increase of £2,271,000 (2020: net increase of £1,632,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £15,192,000 (2020: £14,688,000) as the cash outflow in respect of property, plant and equipment additions in the year.

Note 22 provides the movements in the year relating to IFRS 16 right-of-use assets as included in the above table.



# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 16. TRADE AND OTHER RECEIVABLES - CURRENT

	2021 £'000	2020 £'000
Trade receivables	8,631	9,112
Less: expected credit loss	(316)	(421)
<b>Trade receivables (net)</b>	<b>8,315</b>	<b>8,691</b>
Other receivables	519	591
Prepayments	12,614	13,106
Accrued income	1,531	849
<b>Trade and other receivables</b>	<b>22,979</b>	<b>23,237</b>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The Group applies the simplified approach to providing for expected credit losses prescribed, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date, including consideration of the impact of Covid-19.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Risk profile category (ageing)	2021 £'000	ECL rate %	2021 ECL allowance £'000	2020 £'000	ECL rate %	2020 ECL allowance £'000
<b>Current</b>						
Current	6,402	0.31%	(20)	6,165	0.21%	(13)
0-30 days	1,692	5.31%	(90)	2,221	2.39%	(53)
30-60 days	321	14.01%	(45)	254	23.42%	(59)
60-90 days	134	59.70%	(80)	104	38.02%	(40)
Over 90 days	82	98.78%	(81)	368	69.53%	(256)
<b>Total</b>	<b>8,631</b>		<b>(316)</b>	<b>9,112</b>		<b>(421)</b>

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2021, £6,402,000 (2020: £6,165,000) of net trade receivables were fully performing. Net trade receivables of £1,912,000 (2020: £2,526,000) were past due, but not impaired. The credit quality of financial assets that are neither past due or impaired can be assessed by reference to the customer type. Trade receivables consist of a large number of customers in various industries and geographical areas. The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### 17. CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Cash at bank and in hand	23,038	15,497
<b>Cash and cash equivalents</b>	<b>23,038</b>	<b>15,497</b>

The credit risk on cash and cash equivalents is considered to be negligible because the counter parties are largely UK banking institutions. The effective interest rate earned on short-term deposits was 0.5% (2020: 0.5%).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 18. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade payables	(7,368)	(11,311)
Other taxation and social security	(2,048)	(2,335)
Accruals	(8,681)	(7,137)
Deferred income	(10,857)	(11,144)
Other creditors	(541)	(21)
<b>Trade and other payables - Current</b>	<b>(29,495)</b>	<b>(31,948)</b>

The carrying amount of trade and other payables approximates to their fair value. Current trade payables and accruals are non-interest bearing and generally mature within three months.

	2021 £'000	2020 £'000
Deferred income	(2,662)	(2,283)
<b>Trade and other payables – Non-current</b>	<b>(2,662)</b>	<b>(2,283)</b>

Non-current deferred income in the year predominantly relates to support contracts that span over one year.

## 19. CONTINGENT CONSIDERATION DUE ON ACQUISITIONS

	2021 £'000	2020 £'000
Contingent consideration due on acquisitions within one year:		
- LDeX Group Limited	-	(1,153)
- Memset Limited	-	(500)
- ServerChoice Limited	-	(827)
<b>Total contingent consideration due on acquisitions</b>	<b>-</b>	<b>(2,480)</b>

Final consideration due on acquisitions of £2,447,000 (2020: £nil) was paid in the year resulting in a gain on revaluation of contingent consideration of £33,000 (2020: £1,856,000 gain) recorded in the consolidated statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 20. BORROWINGS

	2021 £'000	2020 £'000
<b>Current:</b>		
Lease liabilities (note 22)	(3,437)	(3,029)
Current borrowings	(3,437)	(3,029)
<b>Non-current:</b>		
Lease liabilities (note 22)	(21,430)	(17,318)
Bank loans	(52,791)	(52,791)
Total non-current borrowings	(74,221)	(70,109)
<b>Total borrowings</b>	<b>(77,658)</b>	<b>(73,138)</b>

The carrying amount of borrowings approximates to their fair value.

Details of the Group's lease liabilities are included in note 22.

At the start of the year there was £52.8m (2020: £48.5m) outstanding on the multi option revolving credit facility and drawdowns of £1.2m (2020: £6.2m) were made from the facility during the year. Repayments totalling £1.2m (2020: £2.0m) were made resulting in a balance outstanding at the end of the year of £52.8m (2020: £52.8m).

The multi option revolving credit facility of £80m is able to be used by the Group to finance acquisitions, capital expenditure, general business purposes (up to a maximum of £8m each year) and for the issue of guarantees, bonds or indemnities. As at 31 March 2021, the facility is available until September 2022 at which point any advances made under the multi option revolving credit facility become immediately repayable. Each drawdown made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. Interest is charged on this loan at an annual rate determined by the sum of the multi option revolving credit facility margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin is fixed at 1.5% (2020: 1.5%) per annum and a non-utilisation fee of 40% (2020: 40%) of the multi option revolving credit facility margin is due on any undrawn portion of the full £80m multi option revolving credit facility. The effective interest rate for multi option revolving credit facility in the current year was 1.61% (2020: 2.17%).

Given the terms of the revolving credit facility and the ability for any drawdowns made to be extended beyond 31 March 2021 at the discretion of the Group, the total amount outstanding has been classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 20. BORROWINGS (CONTINUED)

The obligations under the multi option revolving credit facility are repayable as follows:

	2021			2020		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(366)	(366)	-	(465)	(465)
Due within two to five years	(52,791)	-	(52,791)	(52,791)	-	(52,791)
	<b>(52,791)</b>	<b>(366)</b>	<b>(53,157)</b>	<b>(52,791)</b>	<b>(465)</b>	<b>(53,256)</b>

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value.

Analysis of change in net cash/(debt)	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total liabilities £'000	Total net cash/(debt) £'000
At 1 April 2019	10,069	(48,536)	(777)	(49,313)	(39,244)
Lease liabilities on transition to IFRS 16	-	-	(20,421)	(20,421)	(20,421)
Additions to lease liabilities	-	-	(1,544)	(1,544)	(1,544)
Repayment of bank loans	-	2,000	-	2,000	2,000
New bank loans	-	(6,150)	-	(6,150)	(6,150)
Impact of effective interest rate	-	(105)	-	(105)	(105)
Acquired on acquisition of subsidiaries	-	-	(1,705)	(1,705)	(1,705)
Cash and cash equivalent cash inflow	5,428	-	-	-	5,428
Lease liabilities cash outflow	-	-	4,100	4,100	4,100
<b>At 31 March 2020</b>	<b>15,497</b>	<b>(52,791)</b>	<b>(20,347)</b>	<b>(73,138)</b>	<b>(57,641)</b>
Additions to lease liabilities	-	-	(8,683)	(8,683)	(8,683)
Repayment of bank loans	-	1,150	-	1,150	1,150
New bank loans	-	(1,150)	-	(1,150)	(1,150)
Currency translation	-	-	169	169	169
Cash and cash equivalent cash inflow	7,541	-	-	-	7,541
Lease liabilities cash outflow	-	-	3,994	3,994	3,994
<b>At 31 March 2021</b>	<b>23,038</b>	<b>(52,791)</b>	<b>(24,867)</b>	<b>(77,658)</b>	<b>(54,620)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 21. PROVISIONS

The Group has made provision for the reinstatement of certain leasehold properties and after initial measurement, any subsequent adjustments to reinstatement provisions will be recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges. As at 31 March 2021, the total reinstatement provision of the Group is £2,097,000 (2020: £1,956,000). The utilisation of the reinstatement provision will be in line with the end of the leasehold properties lease terms to which the provisions relate.

The Directors consider the carrying values of the provisions to approximate to their fair values as they have been discounted.

	2021 £'000	2020 £'000
<b>Non-current:</b>		
Reinstatement provision	(2,097)	(1,956)
<b>Total non-current provisions</b>	<b>(2,097)</b>	<b>(1,956)</b>

The movement in the reinstatement provision during the year was as follows:

	2021 £'000	2020 £'000
Balance at the start of the year	(1,956)	(1,115)
Increase in provision	(63)	(824)
Unwinding of discount	(78)	(17)
	<b>(2,097)</b>	<b>(1,956)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 22. LEASES

The Group leases assets including buildings, fibre contracts, colocation and software contracts. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	Leasehold Property £'000	Data centre equipment £'000	Software £'000	Total £'000
Balance at 1 April 2020	17,494	788	1,235	19,517
Additions	3,855	4,828	-	8,683
Currency translation differences	(162)	-	-	(162)
Depreciation	(2,328)	(1,394)	-	(3,722)
Amortisation	-	-	(285)	(285)
<b>Balance at 31 March 2021</b>	<b>18,859</b>	<b>4,222</b>	<b>950</b>	<b>24,031</b>

The right-of-use assets in relation to leasehold property and data centre equipment are disclosed as non-current assets and are disclosed within property, plant and equipment (note 15). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles (note 12).

## Lease liabilities

Lease liabilities are presented in the balance sheet within borrowings as follows:

	2021 £'000	2020 £'000
<b>Current:</b>		
Lease liabilities (note 20)	(3,437)	(3,029)
<b>Non-current:</b>		
Lease liabilities (note 20)	(21,430)	(17,318)
<b>Total lease liabilities</b>	<b>(24,867)</b>	<b>(20,347)</b>

The maturity analysis of undiscounted lease liabilities are shown in the table below:

	2021 £'000	2020 £'000
<b>Amounts payable under leases:</b>		
Within one year	(4,215)	(3,536)
Between two to five years	(11,552)	(9,823)
After more than five years	(13,068)	(9,709)
	<b>(28,835)</b>	<b>(23,068)</b>
Add: unearned interest	3,968	2,721
<b>Total lease liabilities</b>	<b>(24,867)</b>	<b>(20,347)</b>

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

### 22. LEASES (CONTINUED)

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. During the year ended 31 March 2021, in relation to leases under IFRS 16, the Group recognised the following amounts in the consolidated statement of comprehensive income:

	2021 £'000	2020 £'000
Short-term and low value lease expense	(1,578)	(1,662)
Depreciation charge	(3,722)	(3,224)
Amortisation charge	(285)	(190)
Interest expense	(732)	(649)
	<b>(6,317)</b>	<b>(5,725)</b>

Amounts recognised in the consolidated statement of cash flows:

	2021 £'000	2020 £'000
<b>Amounts payable under leases:</b>		
Short-term and low value lease expense	(1,578)	(1,662)
Repayment of lease liabilities within cash flows from financing activities*	(5,435)	(4,686)
	<b>(7,013)</b>	<b>(6,348)</b>

\*Included in repayment of lease liabilities within cash flows from financing activities in the year ended 31 March 2020 is a repayment of £1.0m in relation to the settlement of lease liabilities on the acquisition of Memset Limited.

### 23. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
<b>Authorised</b>		
At 31 March 2020 and 2021	200,000,000	2,000
<b>Called up, allotted and fully paid</b>		
At 1 April 2019	108,509,748	1,085
Share capital issued in the year	650,180	7
At 31 March 2020	109,159,928	1,092
Share capital issued in the year	511,179	5
At 31 March 2021	109,671,107	1,097

During the year, 511,179 (2020: 650,180) ordinary shares were issued for a total consideration of £353,113 (2020: £635,502), resulting in a premium over the nominal value of £348,022 (2020: £629,000).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 23. SHARE CAPITAL (CONTINUED)

At 31 March 2021 the Company held 140,773 shares (2020: 140,773) as own shares in the iomart Group plc Employee Benefit Trust ("EBT") which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2020: £1,408) and a market value of £440,619 (2020: £380,087). This represents 0.1% (2020: 0.1%) of the issued share capital as at 31 March 2021 excluding own shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2021 are fully paid.

## 24. OWN SHARES

	Own shares EBT £'000	Own shares Total £'000
At 31 March 2021 and 31 March 2020	(70)	(70)

At 31 March 2021 the Company held 140,773 shares (2020: 140,773) in the EBT with a carrying value of £69,982 (2020: £69,982) which were accounted for in the Own Shares EBT reserve.

## 25. SHARE-BASED PAYMENTS

The Group operated the following share-based payment employee share option schemes during the year; an Enterprise Management Incentive scheme, a SAYE sharesave scheme and a number of unapproved schemes. All schemes are settled in equity only and are summarised below.

	Vesting period	Maximum term	Performance criteria	Required to remain in employment
Enterprise Management Incentive scheme	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Unapproved schemes	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Sharesave scheme	3 years from grant	6 months after vesting period	No	Yes

The performance criteria as set by the Remuneration Committee are based on the achievement of annual objectives and continuous employment.

During the year, options over 509,103 ordinary shares (2020: 650,180) were exercised and the average market price at the exercise dates was 324.59p (2020: 351.87p). Options over 1,040,174 ordinary shares (2020: 760,371) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2020: 1.0p) and 271,993 options over ordinary shares (2020: nil) were granted under the sharesave scheme with an average exercise price of 276.0p (2020: £nil). Options over 352,256 ordinary shares (2020: 21,388) were forfeited under the unapproved share option scheme with an average exercise price of 1.0p (2020: 1.0p) and options over 62,219 (2020: 33,655) were forfeited under the sharesave scheme with an average exercise price of 314.2p (2020: 299.4p). Options over 270,242 ordinary shares (2020: 75,295) expired under the unapproved share option scheme with an average exercise price of 26.7p (2020: 1.0p) and options over 6,510 (2020: nil) expired under the EMI scheme with an average exercise price of 46.5p (2020: £nil).



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 25. SHARE-BASED PAYMENTS (CONTINUED)

As disclosed in note 5, a share-based payment charge of £1,247,000 (2020: £1,243,000) has been recognised in the statement of comprehensive income during the year in relation to the above schemes. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model, which worked on the following assumptions for the options granted in the current year:

Grant Date	04-Apr-20	04-Apr-20	04-Apr-20	15-May-20	04-Sep-20	01-Oct-20	18-Dec-20
Vesting Date	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-23	31-Mar-21	01-Oct-23	30-Jun-21
Share price at grant date (p)	2.85	2.85	2.85	3.30	3.40	3.45	3.32
Volatility	72.5%	72.5%	72.5%	73.4%	74.7%	75.9%	76.0%
Dividend yield	2.67%	2.67%	2.67%	2.31%	1.92%	1.90%	1.97%
Number of employees holding options/units	1	1	3	1	20	107	1
Expected life (years)	3	3	3	3	3	3	3
Option/award life (years)	10	10	10	10	10	3	10
Risk free rate	0.34%	0.34%	0.34%	0.25%	0.29%	0.27%	0.28%
Expectations of meeting performance criteria	0%	100%	100%	100%	50%	100%	100%
Fair value (p)	261.57	261.57	261.57	306.95	319.97	324.46	311.49
Exercise price per share (p)	1.0	1.0	1.0	1.0	1.0	1.0	1.0

i) Expected volatility was determined at the date of grant from historic volatility, adjusted for events that were not considered to be reflective of the volatility of the share price going forward; and

ii) Risk free rate was calculated based on the average Bank of England zero coupon yields

The movement in options during the year in respect of the Company's ordinary shares of 1p each under the various share option schemes are as follows:

	2021		2020	
	Weighted average exercise price per share (p)	Number of share options	Weighted average exercise price per share (p)	Number of share options
Outstanding at start of year	32.02	3,260,171	54.05	3,280,318
Granted	58.00	1,312,167	1.0	760,371
Forfeited	48.01	(414,575)	183.4	(55,043)
Expired	27.13	(276,752)	1.0	(75,295)
Exercised	90.74	(509,103)	97.63	(650,180)
<b>Outstanding at end of year</b>	<b>31.71</b>	<b>3,371,908</b>	<b>31.96</b>	<b>3,260,171</b>
<b>Exercisable at end of year</b>	<b>1.00</b>	<b>1,386,573</b>	<b>19.25</b>	<b>1,608,793</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 25. SHARE-BASED PAYMENTS (CONTINUED)

Summary of share options that were outstanding at the year end:

	Range of exercise prices per share (p)	Share options – outstanding			Share options – exercisable		
		Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)
Unapproved schemes	1.0 – 1.0	3,012,814	1.0	3.6	1,386,573	1.0	4.2
Sharesave scheme	276.0 -324.0	359,094	289.3	2.0	-	-	-
<b>As at 31 March 2021</b>		<b>3,371,908</b>	<b>31.7</b>	<b>3.5</b>	<b>1,386,573</b>	<b>1.0</b>	<b>4.2</b>
Enterprise management incentive scheme	46.5 – 87.5	136,510	85.5	0.6	136,510	85.5	0.6
Unapproved schemes	1.0 – 146.1	2,880,786	7.1	6.3	1,472,283	13.1	4.0
Sharesave scheme	252.8 -324.0	242,875	296.9	1.2	-	-	-
<b>As at 31 March 2020</b>		<b>3,260,171</b>	<b>32.0</b>	<b>5.7</b>	<b>1,608,793</b>	<b>19.2</b>	<b>3.7</b>

## 26. RELATED PARTY TRANSACTIONS

Compensation paid to key management (only Directors are deemed to fall into this category) during the year was as follows:

	2021 £'000	2020 £'000
Salaries and other short-term employee benefits	1,246	1,127
Share-based payments	163	796
	<b>1,409</b>	<b>1,923</b>

Directors' bonuses, as disclosed in the Directors' Remuneration Report on pages 36 to 41, were paid post year end.

Dividends paid to key management during the year were as follows:

	2021 £'000	2020 £'000
Angus MacSween	1,110	1,294
<b>Total dividends paid to Directors</b>	<b>1,110</b>	<b>1,294</b>

Dividends paid to Scott Cunningham of £522 (2020: £401), Richard Masters of £392 (2020: £156), Ian Steele £260 (2020: £nil) and Reece Donovan £85 (2020: £nil) were below £1,000 which includes amounts in respect of spouses' shareholding.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 27 CONTINGENCIES AND COMMITMENTS

## (a) Contingencies

There are no contingent assets or contingent liabilities as at 31 March 2021 (2020: nil).

## (b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2021 was £1,018,822 (2020: £1,128,800).

## 28. RISK MANAGEMENT

The Group finances its operations by raising finance through equity, bank borrowings and finance leases. No speculative treasury transactions are undertaken however the Group does from time to time enter into forward foreign exchange contracts to hedge currency exposures. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, short-term receivables/payables and borrowings.

The carrying amounts of financial assets presented in the statement of financial position relate to the following measurement categories as defined in IFRS 9:

	Amortised cost £'000
<b>2021</b>	
<b>Non-current:</b>	
Trade and other receivables	502
<b>Current:</b>	
Trade receivables	8,315
Cash and cash equivalents	23,038
Other receivables	519
<b>Total for category</b>	<b>32,374</b>
<b>2020</b>	
<b>Non-current:</b>	
Trade and other receivables	2,760
<b>Current:</b>	
Trade receivables	8,691
Cash and cash equivalents	15,497
Other receivables	591
<b>Total for category</b>	<b>27,539</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

## 28. RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial liabilities presented in the statement of financial position relate to the following measurement categories as defined in IFRS 9:

	At fair value through profit or loss £'000	Financial liabilities measured at amortised cost £'000	Total £'000
<b>2021</b>			
<b>Non-current:</b>			
Lease liabilities	-	(21,430)	(21,430)
Bank loan	-	(52,791)	(52,791)
<b>Current:</b>			
Trade payables	-	(7,368)	(7,368)
Accruals	-	(8,681)	(8,681)
Lease liabilities	-	(3,437)	(3,437)
<b>Total for category</b>	-	<b>(93,707)</b>	<b>(93,707)</b>
<b>2020</b>			
<b>Non-current:</b>			
Lease liabilities	-	(17,318)	(17,318)
Bank loan	-	(52,791)	(52,791)
<b>Current:</b>			
Trade payables	-	(11,311)	(11,311)
Accruals	-	(7,137)	(7,137)
Contingent consideration due on acquisitions	(2,480)	-	(2,480)
Lease liabilities	-	(3,029)	(3,029)
<b>Total for category</b>	<b>(2,480)</b>	<b>(91,586)</b>	<b>(94,066)</b>

**Liquidity risk**

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. In note 20, the contractual maturity analysis of the Group's multi option revolving credit facility of £52.8m (2020: £52.8m) is shown. The Group has £27.2m (2020: £27.2m) available to drawdown on the £80m (2020: £80m) multi option revolving credit facility and reviews its cash flow requirements on a monthly basis. The Group was in compliance with all covenants under its banking facility arrangements throughout the reporting period.

**Interest rates**

The interest rate on the Group's cash at bank is determined by reference to the base rate and the interest rate on the Group's revolving credit loan facilities is based on LIBOR plus a margin. For the year ended 31 March 2021, if interest rates on the multi option revolving credit facility at that date had been 50 basis points higher/lower, with all other variables held constant, there would have been an immaterial change in the post-tax profit for the year (2020: immaterial impact on post-tax profit).

**Currency risk**

During the year the Group made payments totalling US\$6.2m (2020: US\$8.9m) and EUR€1.5m (2020: EUR€1.2m) to acquire domain names for its Easyspace segment and licences for its Cloud Services segment. In addition, the Group received US\$4.4m (2020: US\$5.8m) and EUR€1.2m (2020: EUR€1.1m) from Cloud Services customers billed in foreign currency. During the year, the Group entered into forward exchange contracts to hedge its net exposure to the US Dollar arising on these purchases but at the year end the Group had no outstanding forward contracts in place (2020: none). Consequently, the fair value of currency contracts at the year end was £nil (2020: £nil). The level of non-monetary and monetary assets and liabilities denominated in foreign currencies in the Group are minimal.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2021**

**28. RISK MANAGEMENT (CONTINUED)**

**Capital risk**

The capital structure of the Group consists of net debt, which includes borrowings (note 20) and cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital (note 23), other reserves and retained earnings. The Group seeks to maintain a level of gross cash which the Board considers to be adequate for the size of the Group's operations. Consequently, the Group makes use of both banking facilities and lease arrangements to help fund the acquisition of companies and capital expenditure in order to maintain that level of gross cash. The Group's current policy is to pay interim and final dividends depending on the level of adjusted diluted earnings per share.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group provides standard credit terms (normally 30 days) to some of its customers which has resulted in trade receivables of £8,315,000 (2020: £8,691,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The Group manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The lease deposits of £502,000 (2020: £2,760,000) are held in escrow accounts with the landlord's main UK bankers. The Group's cash at bank £23,038,000 (2020: £15,497,000) is held within clearing banks in the UK, Republic of Ireland and United States of America with good credit ratings.

In respect of trade receivables, lease deposits and cash at bank the Directors consider the risk of exposure to credit is minimal due to the reasons given above.

**29. ULTIMATE CONTROLLING PARTY**

The Directors have assessed that there is no ultimate controlling party.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	3	155,886	155,502
Deferred tax	5	1,332	1,069
		<b>157,218</b>	<b>156,571</b>
<b>Current assets</b>			
Trade and other receivables	4	18,582	7,334
Cash and cash equivalents		20,422	12,991
		<b>39,004</b>	<b>20,325</b>
<b>Total assets</b>		<b>196,222</b>	<b>176,896</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	8	(52,791)	(52,791)
		<b>(52,791)</b>	<b>(52,791)</b>
<b>Current liabilities</b>			
Trade and other payables	6	(32,379)	(21,958)
		<b>(32,379)</b>	<b>(21,958)</b>
<b>Total liabilities</b>		<b>(85,170)</b>	<b>(74,749)</b>
<b>NET ASSETS</b>		<b>111,052</b>	<b>102,147</b>
<b>EQUITY</b>			
Called up share capital	9	1,097	1,092
Own shares	10	(70)	(70)
Capital redemption reserve		1,200	1,200
Share premium account		22,495	22,147
Merger reserve		4,983	4,983
Retained earnings		81,347	72,795
<b>TOTAL EQUITY</b>		<b>111,052</b>	<b>102,147</b>

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year of the Company was £14,437,000 (2020: £52,496,000).

These financial statements were approved by the Board of Directors and authorised for issue on 15 June 2021.

Signed on behalf of the Board of Directors



Reece Donovan  
Director and Chief Executive Officer

iomart Group plc – Company Number: SC204560

The following notes form part of the financial statements

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Note	Share capital £'000	Own shares EBT £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2019</b>		1,085	(70)	1,200	21,518	4,983	27,276	55,992
Profit for the year		-	-	-	-	-	52,496	52,496
<b>Total comprehensive income</b>		-	-	-	-	-	52,496	52,496
Dividends – final (paid)	13	-	-	-	-	-	(5,448)	(5,448)
Dividends – interim (paid)	13	-	-	-	-	-	(2,834)	(2,834)
Share-based payments	11	-	-	-	-	-	1,052	1,052
Deferred tax on share-based payments	5	-	-	-	-	-	253	253
Issue of share capital	9	7	-	-	629	-	-	636
<b>Total transactions with owners</b>		7	-	-	629	-	(6,977)	(6,341)
<b>Balance at 31 March 2020</b>		1,092	(70)	1,200	22,147	4,983	72,795	102,147
Profit for the year		-	-	-	-	-	14,437	14,437
<b>Total comprehensive income</b>		-	-	-	-	-	14,437	14,437
Dividends – final (paid)	13	-	-	-	-	-	(4,287)	(4,287)
Dividends – interim (paid)	13	-	-	-	-	-	(2,845)	(2,845)
Share-based payments	11	-	-	-	-	-	1,247	1,247
Issue of share capital	9	5	-	-	348	-	-	353
<b>Total transactions with owners</b>		5	-	-	348	-	(5,885)	(5,532)
<b>Balance at 31 March 2021</b>		1,097	(70)	1,200	22,495	4,983	81,347	111,052

The nature of equity in the statement of changes in equity is disclosed in the accounting policies (note 2).

The following notes form part of the financial statements.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### 1. COMPANY INFORMATION

iomart Group plc is a public listed company listed on the Alternative Investment Market (“AIM”), incorporated and domiciled in the United Kingdom and registered in Scotland. The address of the registered office is Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. The nature of the Company’s operations and its principal activity is that of a holding company.

### 2. ACCOUNTING POLICIES

#### Statement of compliance

These separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 ‘Application of Financial Reporting Requirements’ issued by the Financial Reporting Council (FRC). Accordingly, these financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – ‘The Reduced Disclosure Framework’ (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The financial statements are presented in Sterling (£).

#### Adoption of new and revised Standards - amendments to IFRS that are mandatorily effective for the current year

The Company applied the amendments to IAS 1 and IAS 8 Definition of Material for the first time as this is effective for annual periods beginning on or after 1 January 2020. The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Directors consider that this amendment had no impact on the financial statements of the Company, nor is there expected to be any future impact to the Company.

#### Disclosure exemptions adopted

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements, however, in preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- a statement of cash flows and related notes;
- the requirement to produce a statement of financial position at the beginning of the earliest comparative period;
- the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the iomart Group as they are wholly owned within the iomart Group;
- disclosure of key management personnel compensation;
- capital management disclosures;
- certain share-based payments disclosures;
- business combination disclosures;
- disclosures in respect of financial instruments; and
- the effect of future accounting standards not adopted.



**PARENT COMPANY FINANCIAL STATEMENTS 2021****2. ACCOUNTING POLICIES (CONTINUED)****Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. As part of the acquisition strategy of the Company, the trade and net assets of subsidiary undertakings at or shortly after acquisition may be transferred at book value to fellow subsidiaries. Where a trade is hived across to a fellow subsidiary undertaking, the cost of the investment in the original subsidiary, which then becomes a non-trading subsidiary, is added to the cost of the investment in the entity to which the trade has been hived. On an annual basis, in order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against the future cash flows and net asset position of those companies which received the trade and net assets.

**Contingent consideration**

Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

**Income taxes**

The tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the period end.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are recognised directly in other comprehensive income or equity (such as share-based remuneration) in which case the related deferred tax is also recognised in other comprehensive income or equity accordingly.

**Financial assets****Classification and measurement of financial assets**

The Company classifies financial assets into three categories:

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income ("FVTOCI")
- financial assets measured at fair value through profit or loss ("FVTPL").

**PARENT COMPANY FINANCIAL STATEMENTS 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (continued)**

**Classification and measurement of financial assets (continued)**

The classification of financial assets is based on the Company's business model for managing the financial asset and the contractual cash flow characteristics associated with the financial asset. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs on initial recognition. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administrative expenses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial derivatives such as forward foreign exchange contracts and interest rate swaps are carried at fair value through profit or loss subsequent to initial recognition.

**Impairment of financial assets**

Provision against other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date.

**Financial liabilities**

**Classification and measurement of financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised through profit or loss. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs through profit or loss. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or when it expires. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**PARENT COMPANY FINANCIAL STATEMENTS 2021**

**2. ACCOUNTING POLICIES (CONTINUED)**

**Borrowings**

Borrowings are initially stated at fair value after deduction of any issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period. Borrowings are subsequently stated at amortised cost, any difference between the periods (net of transaction costs) and the redemption value is recognised through profit or loss over the period of the borrowings using the effective interest method. Where borrowings are repaid early and new loan facilities agreed the terms of each loan facility are compared. Where the terms of the new borrowings are significantly different from those of the previous borrowings, the previous borrowings are treated as extinguished rather than modified as prescribed under IFRS 9.

**Pension scheme arrangements**

The Company contributes to an auto-enrolment pension scheme and also to a number of personal pension schemes on behalf of executive Directors and some senior employees. The pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

**Share-based payment**

All share-based payment arrangements in the company are equity settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense through profit or loss with a corresponding credit to "profit and loss reserve" unless the share-based payment arrangement relates to an employee of a subsidiary company where in such instances the share-based payment is added to the cost of investment in that subsidiary as a capital contribution.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with maturities of three months or less from inception and which are subject to an insignificant risk of changes in value.

**Dividends**

Dividend distributions payable to equity shareholders are included in the financial statements within 'other short-term financial liabilities' when a final dividend is approved in a general meeting. Interim dividend distributions to equity shareholders approved by the Board are not included in the financial statements until paid.

**Equity**

Equity comprises the following:

- "share capital" represents the nominal value of equity shares;
- "own shares EBT" represents the amount of the Company's own equity shares, plus attributable transaction costs, that is held by the Company within the iomart Group plc Employee Benefit Trust;
- "share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "merger reserve" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, when ordinary share capital is included in the consideration for business acquisitions;
- "capital redemption reserve" represents set aside reserves in relation to previous redemption of own shares; and
- "retained earnings" represents retained profits and share-based payment reserve.

## PARENT COMPANY FINANCIAL STATEMENTS 2021

## 2. ACCOUNTING POLICIES (CONTINUED)

**Employee Benefit Trust**

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group and Company financial statements. The cost of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase or sale of own shares leads to a gain or loss being recognised in the income statement.

**Going Concern**

The Group has an undrawn multi-option revolving credit facility of £27.2m at 31 March 2021. After making enquiries, the Directors have a reasonable expectation that the Company will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Key judgements and sources of estimation uncertainty**

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2020	155,502
Share-based payments (note 11)	847
Disposals	(463)
<b>Cost at 31 March 2021</b>	<b>155,886</b>
<b>Net book value of Investments at 31 March 2021</b>	<b>155,886</b>
Net book value of Investments at 31 March 2020	155,502

All of the above investments are unlisted.

Disposals in the year relate to the redemption of preferences shares held by iomart Group plc in Memset Limited.

Details of subsidiary undertakings are included in note 14 of the Group financial statements.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### 4. TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Prepayments	454	517
Other debtors	282	190
Current income tax	372	3,623
Other taxation and social security	444	464
Amounts owed by subsidiary undertakings	17,030	2,540
	<b>18,582</b>	<b>7,334</b>

### 5. DEFERRED TAXATION

The Company had recognised deferred tax assets as follows:

	2021 £'000	2020 £'000
Share-based remuneration	1,332	1,069

The movement in the deferred tax account during the year was:

	2021 £'000	2020 £'000
Balance brought forward	1,069	1,378
Profit and loss account movement arising during the year	263	(724)
Effect of deferred tax rate change in the year	-	162
Profit and loss account reserve movement during the year	-	253
Balance carried forward	<b>1,332</b>	<b>1,069</b>

The deferred tax asset in relation to share-based remuneration arises from the anticipated future tax relief on the exercise of share options.

### 6. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Trade creditors	(35)	(470)
Other taxation and social security	-	(89)
Other creditors	(281)	(32)
Accruals	(1,788)	(1,542)
Contingent consideration due on acquisitions (note 7)	-	(1,653)
Amounts owed to subsidiary undertakings	(30,275)	(18,172)
	<b>(32,379)</b>	<b>(21,958)</b>

Amounts owed to subsidiary undertakings are repayable on demand and carry no interest.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### 7. CONTINGENT CONSIDERATION

	2021 £'000	2020 £'000
Contingent consideration due on acquisitions within one year:		
- LDeX Group Limited	-	(1,153)
- Memset Limited	-	(500)
<b>Total contingent consideration due on acquisitions</b>	<b>-</b>	<b>(1,653)</b>

### 8. BORROWINGS

	2021 £'000	2020 £'000
<b>Non-current:</b>		
Bank loans	(52,791)	(52,791)
<b>Non-current borrowings</b>	<b>(52,791)</b>	<b>(52,791)</b>
<b>Total borrowings</b>	<b>(52,791)</b>	<b>(52,791)</b>

Given the terms of the revolving credit facility and the ability for any drawdowns made to be extended well beyond 31 March 2021 at the discretion of the Company, the total amount outstanding has been classified as non-current. The obligations under the multi option revolving credit facility and term loan facility are repayable as follows:

	2021			2020		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(366)	(366)	-	(465)	(465)
Due within two to five years	(52,791)	-	(52,791)	(52,791)	-	(52,791)
	<b>(52,791)</b>	<b>(366)</b>	<b>(53,157)</b>	<b>(52,791)</b>	<b>(465)</b>	<b>(53,256)</b>

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value. For details of the terms of repayment and rates of interest payable see note 20 in the Group financial statements.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2021

### 9. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
<b>Authorised</b>		
At 31 March 2020 and 2021	200,000,000	2,000
<b>Called up, allotted and fully paid</b>		
At 1 April 2019	108,509,748	1,085
Share capital issued in the year	650,180	7
At 31 March 2020	109,159,928	1,092
Share capital issued in the year	511,179	5
<b>At 31 March 2021</b>	<b>109,671,107</b>	<b>1,097</b>

During the year, 511,179 (2020: 650,180) ordinary shares were issued for a total consideration of £353,113 (2020: £635,502), resulting in a premium over the nominal value of £348,022 (2020: £629,000).

At 31 March 2021 the Company held 140,773 shares (2020: 140,773) as own shares in the iomart Group plc Employee Benefit Trust ("EBT") which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2020: £1,408) and a market value of £440,619 (2020: £380,087). This represents 0.1% (2020: 0.1%) of the issued share capital as at 31 March 2021 excluding own shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2021 are fully paid.

### 10. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Total £'000
<b>At 31 March 2021 and 31 March 2020</b>	<b>(70)</b>	<b>(70)</b>

At 31 March 2021 the Company held 140,773 shares (2020: 140,773) in the EBT with a carrying value of £69,982 (2020: £69,982) which were accounted for in the Own Shares EBT reserve.

### 11. SHARE-BASED PAYMENTS

For details of share-based payment awards and fair values see note 26 to the Group financial statements. The Company financial statements recognise the charge for share-based payments for the year of £1,247,000 (2020: £1,243,000) by:

- 1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £400,000 (2020: £1,052,000),
- 2) recording an increase to its investment in subsidiaries for the amounts attributable to employees of subsidiaries and recording a corresponding entry to retained earnings of £847,000 (2020: £191,000).

## PARENT COMPANY FINANCIAL STATEMENTS 2021

## 12. INFORMATION REGARDING PARENT COMPANY EMPLOYEES

	2021 No.	2020 No.
<b>Average number of persons employed by the Company (including Directors):</b>		
Technical	5	8
Sales and marketing	9	9
Administration	31	31
	<b>45</b>	<b>48</b>

	2021 £'000	2020 £'000
<b>Staff costs of the Company during the year in respect of employees and Directors were:</b>		
Wages and salaries	1,580	1,939
Social security costs	814	735
Pension costs	57	38
Share-based payments	400	1,052
	<b>2,851</b>	<b>3,764</b>

The company operates a stakeholder pension scheme and also contributes to a number of personal pension schemes on behalf of executive Directors and some senior employees. In the case of executive Directors, details of the pension arrangements are given within the Report of the Board to the Members on Directors' Remuneration on pages 36 to 41. In the case of senior employees, pension contributions to individuals' personal pension arrangements are payable by the Group at a rate equal to the contribution made by the senior employee subject to a maximum employer contribution of 5% of basic salary. Details of Directors' emoluments are disclosed within note 5 of the Group financial statements.

## 13. DIVIDENDS PAID ON SHARES CLASSED AS EQUITY

	2021 Pence per share	2021 £'000	2020 Pence per share	2020 £'000
<b>Paid during the year:</b>				
<b>Final dividend (proposed in the prior year)</b>				
Equity dividends on ordinary shares	3.93p	4,287	5.01p	5,448
<b>Interim dividend</b>				
Equity dividends on ordinary shares	2.60p	2,845	2.60p	2,834
<b>Total dividend paid in cash</b>		<b>7,132</b>		<b>8,282</b>

The Directors have recommended a final dividend for the year ended 31 March 2021 of 4.50p per share (2020: 3.93p per share). Subject to shareholder approval this proposed final dividend would be payable on 3 September 2021 to shareholders on the register at close on 13 August 2021.

## 14. RELATED PARTY TRANSACTIONS

As permitted by FRS 101 related party transactions with wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management (only Directors are deemed to fall into this category) of the Company have been disclosed in note 26 of the Group financial statements.



# **IOMART GROUP PLC**

## **PARENT COMPANY FINANCIAL STATEMENTS 2021**

### **15. CONTINGENCIES AND COMMITMENTS**

#### **(a) Contingencies**

There are no contingent assets or contingent liabilities as at 31 March 2021 (2020: nil).

#### **(b) Commitments**

There are no capital commitments present as at 31 March 2021 (2020: nil).

### **16. ULTIMATE CONTROLLING PARTY**

The Directors have assessed that there is no ultimate controlling party.